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# Herald INTERNATIONAL Tribune

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PARIS, TUESDAY, JUNE 6, 1989

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ESTABLISHED 1887

## As Rival Armies Move Toward Confrontation, Anarchy Grows and Beijing Warns of 'Terror'

### Solidarity Wins by Landslide

#### Union Captures Control of Senate

By Jackson Diehl  
Washington Post Service

WARSAW — The Solidarity union said Monday that it had won a stunning victory in the parliamentary elections on Sunday, but opposition leaders warned that the voters' rejection of the Communist leadership had been so one-sided that it could lead to a political crisis.

Though the government is not expected to make public final results until Wednesday, Solidarity said its calculations showed that all 161 of its candidates for the Sejm, or lower house, would be elected in the first round of voting, as would most of its nominees for the 100-member Senate. In many areas, the Solidarity candidates won 70 percent or more of the vote.

In contrast, the union's figures showed that most, and perhaps all, of the senior Communist and government officials on a special 35-member "national list" for the Sejm had been rejected by voters even though they were running unopposed.

The list includes Prime Minister Mieczyslaw Rakowski and seven other members of the ruling Politburo, among them the chiefs of the army, the police, official trade unions and economic affairs.

In a terse statement on state television on Monday night, the Communist Party spokesman, Jan Bielecki, acknowledged that the results of the election were "truly disastrous" for the party but said the leadership would not alter its commitment to change.

"The elections had the character of a referendum," he said, "and Solidarity received a decisive majority."

Mr. Bielecki said the election results meant that Solidarity "must take joint responsibility for the state," and he warned that "if triumphalism and adventurism create an anarchic situation in Poland, democracy and social peace would be seriously threatened."

But he said the government would respect its commitments to democratic elections, adding that "we are not considering any other alternatives as political consequences of the election results."

The Communist Party leader, General Wojciech Jaruzelski, was not a candidate in the elections and a pre-election agreement between Solidarity and the party appears to ensure that he can still be elected to the new, powerful post of president by the parliament.

The party will also retain a majority in the Sejm through the 264 seats outside the national list that were guaranteed to Communists and their allies.

But if the unofficial results are borne out, the country's political elite will face a legal and political problem over how to handle the parliamentary seats meant for the top officials.

No provision was made in the

See POLAND, Page 2



Relatives sobbing outside a Beijing hospital on Monday as they mourned the death of a student killed by soldiers.

### Bush Holds Up Sale Of Arms to China

By Jay Ross  
International Herald Tribune

WASHINGTON — President George Bush announced Monday that he was suspending arms sales and military exchanges with China, in a move that congressional supporters and critics welcomed as an appropriate reaction to Beijing's crackdown on the student democracy movement.

In other responses to the loss of life in China, the European Community canceled high-level trade talks with China, West Germany suspended official contacts, Britain canceled ministerial talks and a visit, and officials in Tokyo said billions of dollars in Japanese investment and development projects had been thrown into doubt.

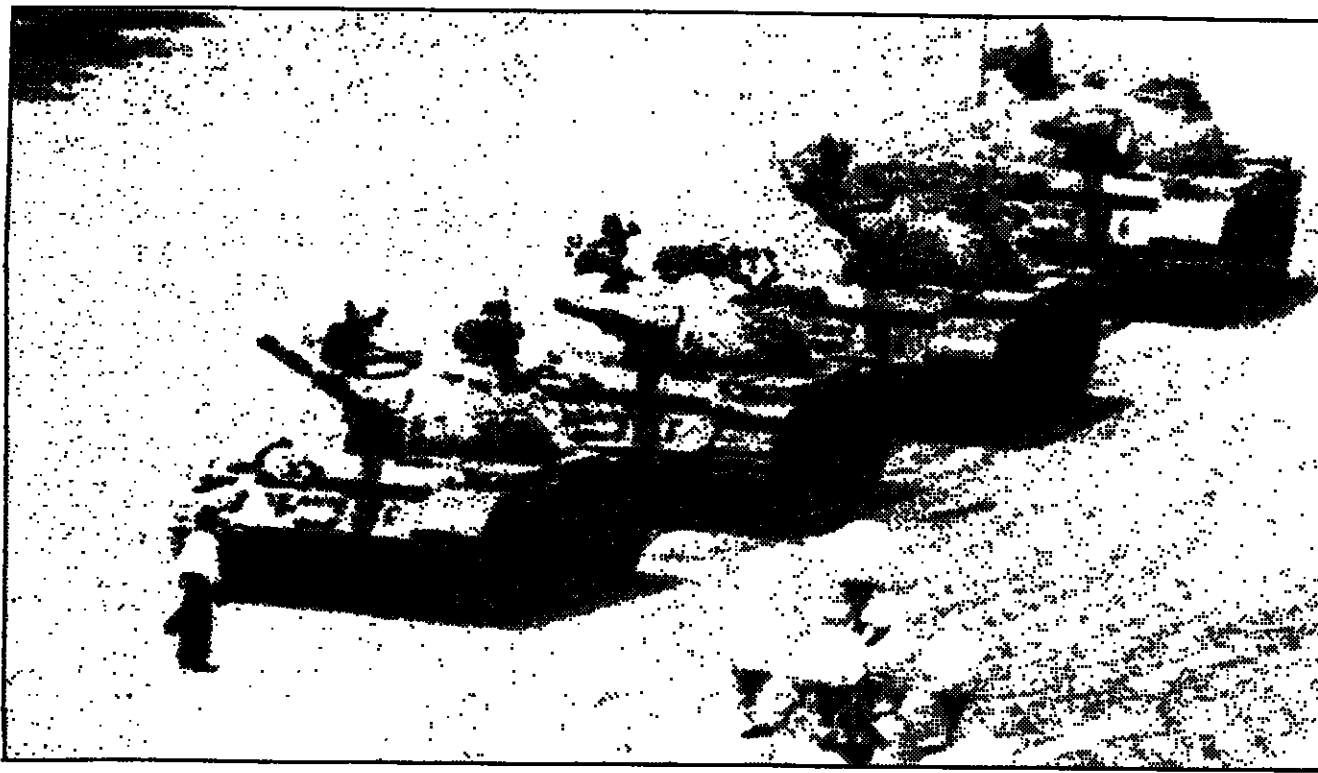
Mr. Bush said he was ordering these steps:

- Suspension of all government-to-government sales and commercial exports of weapons.
- Suspension of visits between U.S. and Chinese military leaders.
- A "sympathetic review" of requests by Chinese students in the United States to extend their stay.
- Humanitarian and medical assistance as needed, through the Red Cross, to those wounded during the assault.
- A review of other aspects of bilateral relationship "as events in China continue to unfold."

In announcing the sanctions, Mr. Bush hewed to the middle ground after criticism on Sunday over his failure to do more than deplore the Chinese Army's attack on demonstrators in Tiananmen Square in Beijing.

The most immediate effect on military visits would be to cancel the scheduled trips to the United States later this year by the Chinese

See CONDEMN, Page 2



A Beijing man confronting tanks and briefly stopping their advance Monday as he pleaded for an end to the killing.

## In the City of Sorrow, Disillusion and Rage Scar the Victims

By Sheryl WuDunn  
New York Times Service

BEIJING — Her world collapsed early Sunday morning when she got a phone call that her husband was in the hospital fighting to survive the bullets that had ripped through his midriff.

"He was convinced that, by staying in the Communist Party, he was in a better position to contribute to the reforms," said the 30-year-old woman, whose puffed red eyes betrayed hours of weeping.

"At the time, he said such a party could never hurt the people. But he was wrong. And so many party members think the same way he does. They are all deluded."

Despair seemed to silence the woman's sobs as she sat on an old bench outside the intensive-care unit where her husband lay.

The despair was accompanied by a fear that kept her from disclosing her name. Throughout the capital on Sunday, untold numbers of people found their lives shattered by a similar grief.

Their tales were all different, but they were bound by a common source of tragedy — the military crackdown against China's democracy movement — and by a common rage at the government.

Beijing was nothing so much as a city of sorrow.

The woman's husband, 31, an engineer who has seven Chinese patents to his name, had sensed that something would happen Saturday night, and he had made sure to carry a piece of paper with his name, address and phone number on it.

Early in the night, the two of them had gone out together and seen the troops chatting rather comfortably with local residents.

She went home at 11 P.M. to care for their 4-year-old son and to wait for her husband.

He returned around midnight after the first shots were fired at the crowd, but he left again almost immediately.

"There is violence out there, and the students are poor and weak," she recalled

his saying. "I must go out and help them."

Finally, at 3 A.M. Sunday, the Beijing Union Medical College Hospital called to say that her husband needed emergency surgery. It lasted seven hours.

"We have no more blood," said one doctor at the Union Hospital.

"If there are many more wounded again in the next couple of days, we won't be able to handle them."

The growing fear of a widespread

See RAGE, Page 2

### Stock Prices Plunge in Hong Kong

By Colleen Geraghty  
International Herald Tribune

HONG KONG — The Hong Kong stock market, thrown into turmoil by the repression in China, on Monday took its sharpest plunge since the 1987 collapse, and analysts said the market's drop foreshadowed economic disruptions in the territory.

The 22 percent plunge in Hong Kong's Hang Seng index, which fell 581.77 points, to 2,093.61, was echoed in Taiwan, where the index fell nearly 5 percent. Stock markets in Singapore and Tokyo were also hit, while ripples from events in Beijing were felt as far as the London and New York markets, both of which experienced early weakness.

While Hong Kong's stock market fell, interest rates were pushed higher by Chinese banks bidding for funds to offset a run on their coffers.

Pamphlets urging depositors to withdraw their money from the 13 Chinese-owned banks in Hong Kong had been distributed Sunday at a rally protesting the bloody crackdown against student demonstrators in Beijing.

There were long lines outside many of the Chinese government-owned banks on Monday morning. Reuters reported, but they seemed to have dwindled shortly after midday.

A spokesman for one of the Chinese banks, Kinchen Banking Corp., said there were about 30

See STOCKS, Page 23

### Kiosk

#### U.S. Banks Cut Prime to 11%

NEW YORK (AP) — Major U.S. banks lowered their prime lending rates half a percentage point, to 11 percent, on Monday following recent signs that American economic growth was slowing. The dollar soared Monday despite the prime-rate cut, with analysts saying the market was concerned by events in China. (Articles on Pages 19 and 23)

#### General News

Soviets say a gas leak was ignored before an explosion engulfed two trains. Page 4.

#### Business/Finance

Hanson Industries said it would float a majority of Smith Corona. Page 19.

Crossword Page 8.

#### Dow Close The Dollar

	Dollars in New York
Down	37.13
DM	1.982
Pound	1.567
Yen	142.825
FF	6.7395



DRAMATIC VICTORY — Fighting cramps and barely able to serve, Michael Chang of the United States upset Ivan Lendl, the No. 1 seed, in the French Open Monday. Page 25.

### Iranians, in Mourning, Engulf Khomeini Bier

By Patrick E. Tyler  
Washington Post Service

TEHRAN — The body of Ayatollah Ruhollah Khomeini, sealed in a white shroud and encased in glass atop a high pyramidal funeral bier, lay in state here Monday on a dusty urban plain as hundreds of thousands of Iranians, in a sea of black garments, pressed forward to see him.

By midmorning, the crush of weeping and chanting mourners, many of them beating their heads and chests in grief, had grown so large and dense around the platform that as many as eight people were crushed to death and hundreds were injured, the Iranian press agency reported.

Military helicopters dropped down into the throng to pick up the dead and evacuate the injured.

The grieving began at dawn when the body of the ayatollah, who died Saturday night of a heart attack, was placed on the platform, shielded from the sun and cooled by an air-conditioning unit.

Among the tens of thousands of mourners, some of whom had come from distant cities, there was a range of emotions. Sitting on a curb, an old woman was huddled

under a shapeless black chador, sobbing. Asked why, she raised her face to the light and replied, "I'm crying because I lost my son in Khomeini's war."

Government tank trucks sprayed water over the thousands of people streaming through the streets to and from the prayers.

Ayatollah Khomeini's head and face were covered by the traditional death shroud. His black turban was on his chest, as if to symbolize the continuity of his Islamic teachings.

In his testament, part of which was read over Tehran radio, Ayatollah Khomeini returned to familiar themes, exhorting his heirs to prove that Islamic principles could be adapted to the needs of a modern state.

Tehran's streets were blocked around the Masalla site as several million Iranians were expected to flood into the capital by Tuesday to get a last glimpse of the founder of the Islamic revolution, which ousted the shah in 1979 and ushered in one of the most devastating social upheavals in any country this century.

"All roads in Tehran lead to the

See IRAN, Page 2



An Iranian among hundreds of thousands grieving for Ayatollah Khomeini in Tehran on Monday.



## U.S. Justices Rule Against Bias Claims Based on Statistics

By Al Kamen  
Washington Post Service

WASHINGTON — The Supreme Court delivered a sharp setback on Monday to minorities who claim race discrimination in employment, making it more difficult for them to use statistics to win their cases and making it substantially easier for employers to rebut discrimination claims.

The 5-to-4 decision, written by Justice Byron R. White, was hailed by business lawyers as an important protection against frivolous lawsuits. But it was condemned by civil rights lawyers as a barrier that in effect wipes out a key antidiscrimination law.

Justice White, writing in a case involving salmon cannery workers in Alaska, toughened the standards for proving discrimination under Title VII of the 1964 Civil Rights Act, saying that minorities or women cannot rely on statistics alone to show job bias, but must link statistics showing racial imbalance to a specific employment practice.

In addition, he said, employees must only show that what they did was a reasonable employment practice and that the burden is always on plaintiffs to show another method would be better.

Justice White was joined by Chief Justice William H. Rehnquist and Justices Sandra Day O'Connor, Antonin Scalia and Anthony M. Kennedy.

In a sharply worded dissent, Justice John Paul Stevens said the ruling retreated from 18 years of court decisions aimed at helping minorities who were victimized by discrimination that may be unintentional.

He said the court was "turning a blind eye to the meaning and purpose" of the principles underlying the Civil Rights Act that made workplace discrimination illegal.

"The changes the majority makes today, tipping the scales in favor of employers, are not faithful to those principles," he said.

Justice Stevens was joined in dissent by Justices William J. Brennan Jr., Thurgood Marshall and Harry A. Blackmun.

Justice Blackmun, in a separate dissent, said, "One wonders whether the majority still believes that race discrimination—or, more accurately, race discrimination against nonwhites—is a problem in our society, or even remembers that it ever was."

The case, *Wards Cove Packing Co. v. Atonio*, involved a suit filed 15 years ago by salmon cannery workers, mostly Filipinos and Alaska natives against companies operating in Alaska.

### Other Court Rulings

The Supreme Court made these additional rulings on Monday, The Associated Press reported:

• It dealt a significant defeat to the Church of Scientology, ruling in a 5-to-4 decision that contributions, called "fixed donations," to the church by its members may not be claimed as federal income tax deductions.

The court upheld the Internal Revenue Service's contention that the donations are not charitable contributions. It rejected arguments that denying tax deductions for the fixed donations violates the religious freedom of Scientologists and creates an impermissible denominational preference.

A practice within the Church of Scientology is a process known as auditing, in which members are expected to reach a higher level of spiritual awareness.

• It cleared the way for trial of a government suit against a junk bond specialist, Michael R. Milken, and removed a major obstacle to a \$650 million payment by his former employer to investors and the U.S. Treasury.

• It upheld the murder conviction and death sentence in Texas of Philip Tompkins for the 1981 slaying of Mary D. Berry in Houston. But it left unresolved its 4-to-4 decision any ruling on how difficult it should be for prosecutors to prove they did not exclude potential jurors because of race.

Mr. Tompkins, who is black, was convicted by an all-white jury.

## IRAN: Iranians Crush Around Bier

(Continued from page 1)

Masalla, where the body of Imam Khomeini lies, Iran's press agency said in announcing plans to bury the ayatollah after a procession through the city to the Beheshti Zahra Cemetery in the southern part of the city.

The Islamic leader will be interred there among tens of thousands of young men he sent to the front between 1980 and 1988 in the war with Iraq.

Meanwhile, a high cleric who participated in the deliberation to pick a successor to Ayatollah Khomeini said in a newspaper interview that President Ali Khamenei was a consensus candidate to become supreme religious leader. Consensus was reached, he said, after three officials asserted that Ayatollah Khomeini himself had designated Mr. Khamenei as "worthy."

The cleric, Ayatollah Abolqasem Khazali, told the newspaper Resalat that Ayatollah Khomeini had spoken favorably on three recent occasions of Mr. Khamenei as a successor.

The first of these was in March, after Ayatollah Khomeini dismissed his longtime designated successor, Ayatollah Hussein Ali Montazeri.

After the dismissal, Iran's powerful parliamentary speaker, Ali Akbar Hashemi Rafsanjani, went to Ayatollah Khomeini and said the leader's action "has put us in a dead end," according to this account.

Ayatollah Khomeini reportedly replied, "Don't you have Khamenei?"

Most recently, as Mr. Khamenei was making a state visit to China and North Korea in May, Ayatollah Khomeini also reportedly told

his 44-year-old son, Ahmad Khomeini, that Mr. Khamenei was "worthy of leadership."

Western analysts said that even if such testimonials might be designed to confer retroactively on Mr. Khamenei the stamp of Ayatollah Khomeini's approval, they indicate a rapid and relatively unified transition of power.

### Son Supports Khamenei

Ahmad Khomeini pledged on Monday to support President Khamenei after a meeting at the city of Jamana, Agence France-Presse reported from Tehran, citing the Tehran radio.

It said that Mr. Khomeini, who was accepting condolences from the new leader, told Mr. Khamenei: "You are our guide and we offer all our support and wish you well in this endeavor."

The army and Revolutionary Guards also pledged support to Mr. Khamenei, the state-run television reported.

### Bush Outlines His Terms

President George Bush said Monday that Iran knew "what it has to do" to return to a normal relationship with the United States. UPI reported from Washington. He cited the release of American hostages held by a pro-Iranian Shiite sect in Lebanon as a major step in that direction.

In London, Britain set its condition for normalized relations: the withdrawal of the death threat against Salman Rushdie, the British author condemned for "The Satanic Verses," Reuters reported.

### Iraq Urges Peace Steps

Reacting to the death of Ayatollah Khomeini, Iraq called on Monday for "comprehensive" peace with Iran, its enemy during the Gulf War, news agencies reported. It was the first official statement by Baghdad on the death of the Islamic revolutionary, who had vowed that the Iraqis would fight on until the Iraqi leadership had been overthrown. In 1988, he finally agreed to a cease-fire.

(AP, AFP)



A YOUNG FINN'S WELCOME — Pope John Paul II, who is on a two-day visit to Finland, being caressed by a child after a prayer service on Monday at a cathedral in the city of Turku.

## RAGE: In the City of Sorrow, Disillusion

(Continued from page 1)

crackdown keeps some hospital employees from revealing details about their patients or the number of deaths, and doctors at several hospitals say they have been told that visitors other than kin or close friends are not allowed through the gates.

On Sunday afternoon, sympathetic workers led a reporter into the Union Hospital by an underground passage, past the guards at the gate.

A small crowd gathered in the center of one of the special wards, where the bloodied young men and women lay side by side on mattresses on the floor.

Wives bent down over their wounded husbands to loosen a shoelace or just to reassure their loved one that the wounds would heal.

Citizens carried or carted to the hospitals many of the wounded found on the outskirts of the square, but ambulances were needed to enter parts of the Tiansanmen Square area to pick up the wounded.

Doctors at different hospitals said they had often been restricted in collecting the victims.

Without the cooperation of the army, it was difficult to enter or leave certain parts of the Tiansanmen area with the wounded.

One doctor who traveled in his hospital's ambulance to Tiansanmen Square said machine guns had raked the sides of the ambulance when it was making its way out of the square with several wounded citizens. He showed the bullet holes in the vehicle.

Everywhere in the hospital corridors, there were stories of dashed hopes and lives that had been changed forever by a moment on Tiansanmen Square.

A 24-year-old government official was fleeing from a volley of bullets on a side street just north-east of the square when three men near him were hit by bullets.

He went to help them, but a People's Liberation Army officer

stopped him from tending the wounded.

"Don't stir or you will be dead," a soldier said as he pointed a rifle at the official's head.

The official said a dozen soldiers then surrounded him and beat him with rifles, riot sticks and the butts of their rifles.

"I never thought they would be so brutal," said the official, still wearing his bloodied clothes at a hospital where he is recovering from wounds all over his body.

A 28-year-old government official stayed home during the night and wandered out only at daylight to see what happened.

When he strolled over at 9 A.M. to the Beijing Hotel, a few hundred yards east of the square, he was shot in the hip.

"I feel as though my leg isn't there," he moaned to a doctor beside him. The doctor assured him that he would survive.

"I thought the government would use only rubber bullets," he said.

## CONDEMN: Bush Suspends Sales of Arms to China

(Continued from page 1)

defense minister, Qin Jiwei, and by the head of the Chinese Navy.

Mr. Bush did not impose any sanctions on U.S.-Chinese trade, which amounts to more than \$10 billion a year, and said he would not withdraw the U.S. ambassador despite calls for such a move.

"I think it is very important that the Chinese leaders know it is not going to be business as usual, and I think it's important that the army know that we want to see restraint," Mr. Bush said. He added that the military-related sanctions were "the best way to signal that."

Mr. Bush's decision will halt more than \$500 million in sales of military equipment, according to a State Department spokeswoman, Margaret Tutwiler.

Since 1984, the United States has contracted for \$600 million in arms sales to China of which 10 percent has been transferred, she added. The largest single component of the sales has been \$500 million for upgrading the avionics of the Chinese-made F-8 fighter plane.

Other sales have involved artillery and ammunition, radar and anti-submarine torpedoes. Most recently, Beijing bought six Chinook CH-47D helicopters from Boeing Co. in a deal worth \$100 million.

The State Department official also said the visit of the Chinese foreign minister, Qian Qichen, will take place as planned next week. She added that the meeting would give Secretary of State James A. Baker 3d a chance to express U.S. revulsion at Beijing's actions.

Mr. Bush said that he reserved "the right to take a whole new look at things if the violence escalates," but added that commercial sanctions could hurt the Chinese people.

Response on Capitol Hill was favorable.

Senator Alan Cranston, Democrat of California, who is chairman of the Foreign Relations subcommittee on East Asian and Pacific affairs, gave Mr. Bush "an A-plus for the diplomacy, directness and knowledge he displayed."

Later Monday, Mr. Bush met with four Chinese students from U.S. campuses who praised his actions as appropriate. There are an estimated 40,000 Chinese students in the United States.

### World Response Is Swift

Mr. Bush's move came amid growing condemnation of the loss of life in Beijing. These were among the responses:

• The crackdown spread shock and dismay Monday in Japan and threw into doubt billions of dollars in Japanese investment and development projects planned as part of an improvement in relations between the two countries.

The opening in Tokyo of an agency to promote capital and technology exchange and of a joint venture bank in Shanghai were delayed.

An inaugural meeting of the Japan-China Investment Promotion Organization, scheduled for Wednesday, has been "indefinitely postponed due to a sudden turn in the situation," a spokesman said.

But Japan's leaders stopped short of condemning the use of force in crushing the student protests. Analysts said this was consistent with Tokyo's usually cautious approach on such matters.

The British foreign secretary, Sir Geoffrey Howe, said London had canceled a meeting with Cai Cheng, the Chinese justice minister, who was scheduled to meet Thursday with British ministers in London.

The agricultural secretary, John MacGregor, has canceled his scheduled visit to China later this week.

But he said that despite calls from Hong Kong to renegotiate the Chinese-British agreement on returning the colony to Chinese rule in 1997, Britain had no plans to suspend or amend the accord.

The governor of Hong Kong, Sir David Wilson, postponed a scheduled trip Monday to London because of the events in China.

Sir David, who was due to give evidence to the parliamentary Foreign Affairs Committee in London on Wednesday, has proposed that the hearing be postponed until next week. The House of Commons committee is preparing a report on the future of Hong Kong.

The European Commission, executive body of the European Community, canceled top-level trade talks with China set for Monday because of "the brutal repression" Beijing citizens.

Bonn suspended all official contacts with Chinese authorities and was preparing retaliatory measures with the other members of the European Community, a government spokesman said.

Chancellor Helmut Kohl condemned what he called the Chinese Army's "barbaric use of brutal force" against the students.

President Francois Mitterrand of France said that a regime "reduced to fixing on young people whom it has educated and who now rise against it in the name of freedom" had "no future."

In support of the Chinese government's actions, Vietnam sympathized with the leadership in Beijing, saying, "The army could in no way refrain from taking action."

The statement appeared to reflect Hanoi's efforts to improve its relations with China.

Prime Minister Lee Kuan Yew of Singapore expressed shock and horror at "this disastrous turn of events."

"We had expected the Chinese government to apply the doctrine of minimum force when an army is used to quell civil disorder," he said. "Instead, the firepower and violence used caused many deaths and casualties."

In Geneva, an economic seminar on China that was to feature the daughters of China's senior leader, Deng Xiaoping, and of Prime Minister Li Peng, was canceled, organizers said.

India said that it was "saddened" by the deaths in Beijing. An official of the Ministry of External Affairs said, "We cannot but be saddened by the tragic events that have unfolded during the past few days in Tiansanmen."

Foreign Minister Siddhi Savet-sa of Thailand said the turmoil could have repercussions on the Asia-Pacific region.

(NYT, Reuters, AFP, AP, UPI)

## Accord Set For Return Of Namibian Refugees

The Associated Press

WINDHOEK, Namibia — Representatives of South Africa and the United Nations have reached a tentative agreement that would clear the way for more than 40,000 Namibian refugees to begin returning home next week, officials said Monday.

The officials said that the agreement would ban all remaining discriminatory laws in the territory, and detention without trial and grant amnesty to those involved in the guerrilla war against South African rule.

The South African-appointed administrator of Namibia, Louis Pienaar, and the UN representative there, Martti Ahtisaari, reached the agreement last week, their spokesmen said.

President Pieter W. Botha of South Africa was expected to sign the accord on Monday or Tuesday, the spokesmen added.

"With the signing by President Botha, the UN high commissioner for refugees will be told immediately to start the repatriation of refugees," a UN spokesman said.

UN officials have registered about 41,000 Namibian refugees in Angola and Zambia, the officials said.

Under a UN plan that took effect April 1, elections are to take place in Namibia in November and the independence process is to be completed by early next year.

Among the refugees returning to Namibia will be members of the South-West Africa People's Organization, which has been fighting South African rule since 1966.

The peace plan for the territory was temporarily interrupted on April 1, when hundreds of SWAPO guerrillas crossed the border from Angola. More than 300 of them were killed in clashes with South African-led security forces.

SWAPO candidates are widely favored to win the elections. But it is unclear if the group will be able to gain the two-thirds majority necessary to control the formation of a new government.

In another development on Monday, a spokesman for the administrator-general said that the police used tear gas to break up a dispute over the weekend between supporters of SWAPO and a rival political organization, the Democratic Turnhalle Alliance.

The incident, which occurred in the northern town of Onkarak, led to the arrest of several persons, the spokesman added. But he said that he was not aware of any injuries.

## POLAND: Union Landslide

(Continued from page 1)

election law for replacing a defeated national list candidate, but a constitutional article mandating 460 total seats in the Sejm appears to rule out the possibility that the party seats could be left vacant.

Some Solidarity leaders expressed concern Monday that the setback would lead to the collapse of the government or touch off turmoil within the party.

"Everybody is a little afraid" one Solidarity journalist said. "We're worried that there could be a hysterical reaction by the authorities."

Solidarity leaders sought on Monday to play down the party's defeat and stressed the opposition's commitment to continue working with the party to implement reforms.

"This was not a vote for or against the party's reformers," said a union spokesman, Janusz Onyszkiewicz. "This was rather a question of claims against the party for how it governed in the past. It's a signal that reforms in Poland are necessary and desired by society."

In the days before the election, both General Jaruzelski and Mr. Rakowski suggested that the government might seek to shore up its position after the vote by pressing Solidarity to form a coalition in which opposition ministers would take part in a new, Communist-run cabinet.

But Bronislaw Geremek, a Solidarity strategist, rejected that possibility on Monday, saying that "Solidarity is part of the opposition and will stay that way."

### U.S. Praises Results

U.S. officials warmly welcomed the results of the Polish elections. The Associated Press reported from Washington.

President George Bush said, "It looks to me like there's quite a move moving towards this freedom and democracy."

A State Department spokeswoman, Margaret Tutwiler, said, "Poland's parliamentary elections constitute an historic step by the people of Poland toward democracy and national recovery."

### Colombia Ferry Sinks, And 100 Are Missing

Agence France-Presse

BOGOTA — A ferry capsized on Monday in the San Juan River in northwestern Colombia, and at least 100 people were missing and believed dead, the police said.

The accident occurred as the vessel, carrying about 200 people, was concluding a cruise as part of a festival near Andagoya, in Chocó Province, the police said. One police official told a local radio station that the vessel was licensed to carry only 40 passengers.

## WORLD BRIEFS

### Howe Cancels Visit to Czechoslovakia

LONDON (AP) — The British foreign secretary, Sir Geoffrey Howe, has canceled his visit to Czechoslovakia next month in response to Prague's recent expulsion of Britons, the Foreign Office said Monday.

The news was given to the Czechoslovak ambassador, Jan Fidler, during a meeting with Foreign Office political director, Sir John Fretwell, a spokesman said.

Mr. Fidler was also told the expulsions May 25 of three British Embassy staff and a British businessman were "unwarranted retaliation" for the expulsion of four Czechoslovak Embassy staff from London, the spokesman said. Britain expelled the four for "activities incompatible with their status," the diplomatic phrase for spying.

### Sudan Rebel Ready for Negotiations

ATLANTA (NYT) — John Garang, a Sudanese rebel leader, said Monday he would meet Saturday with Khartoum government officials in an effort to agree on terms of a cease-fire in the six-year-old civil war.

Mr. Garang, leader of the Sudanese People's Liberation Army, said he had agreed to extend for another 15 days a one-month, unilateral cease-fire that had been declared by the rebels May 1 and expired Thursday.

Mr. Garang spoke in Atlanta after visiting Sunday with former President Jimmy Carter. Mr. Garang said Mr. Carter had offered to act as a mediator and that the rebels would welcome Mr. Carter's intervention.

Mr. Garang is due to fly to Washington Tuesday for three days of meetings.

### Peru Writer Pledges War on Rebels

AREQUIPA, Peru (Reuters) — Peru's best-known writer, Mario Vargas Llosa, has been nominated to be the presidential candidate of a center-right coalition, and he said he would personally lead the war against leftist guerrillas if elected next April.

Mr. Vargas Llosa made the remarks Sunday at a speech before a cheering crowd of 15,000 people at a square in Arequipa, Peru's second-largest city and his hometown.

The author of several novels, including "The War of the End of the World," Mr. Vargas Llosa criticized Maoist Shining Path guerrillas over the death of a reporter last week at their hands and over a bomb attack that killed seven presidential guards on Saturday. More than 14,000 people have been killed in guerrilla violence in the last nine years.

### Uno to 'Go to Roots' of Corruption

TOKYO (NYT) — The new prime minister of Japan, Sosuke Uno, vowed again Monday to clean up the corruption that has engulfed his country's political system for the last year, saying he would "go to the very roots of this affliction so that no similar disgrace ever occurs again."

In a toughly worded speech that contrasted sharply with the tone set by his predecessor, Noboru Takeshita, Mr. Uno told a joint session of parliament that he was "determined to move forward unflinchingly and unwaveringly with political reform." But he offered few specifics about political change, and opposition leaders charged that his promised changes would prove illusory.

In a change of several novels, including "The War of the End of the World," Mr. Uno said cabinet members would be required to disclose their financial assets both upon taking office and leaving it. He also said cabinet ministers would "restrain from active trading in securities, real estate and the like" and would place their securities or other assets in trust while they are in office.

### Israeli Inquiry Starts on ID Cards

JERUSALEM (NYT) — Attorney General Yosef Harish has ordered the police to investigate whether the mayor of a Jewish settlement in the occupied West Bank incited racism by issuing cards stamped "foreign worker" to Palestinian laborers.

The mayor, Ron Nachman, of the Ariel settlement north of Jerusalem, withdrew the cards after a storm of controversy last week by critics who compared them to Nazi Germany's labeling of Jews with yellow stars of David. A Justice Ministry spokesman said the police would question Mr. Nachman to decide whether he should be charged with a criminal offense.

Meanwhile, a curfew in the Gaza Strip went into its second day, but was lifted for three hours early Monday to permit workers to go to their jobs in Israel. Only a handful turned out because of the strike, ordered to mark the 22d anniversary of the 1967 war in which Israeli forces began their occupation of the West Bank and Gaza.

### Beirut Mixes Shelling and Mourning

BEIRUT (Reuters) — Rival gunners shelled East and West Beirut early Monday before Lebanon's Muslim areas became paralyzed by a general strike called to mourn the death of Ayatollah Ruhollah Khomeini.

The artillery bombardments were carried out by the soldiers of Major General Michel Aoun, leader of the country's interim Christian cabinet, and Syrian troops, and by Muslim allies. The gunners aimed mainly at civilian areas, UN army sources said. Two persons were killed in largely Christian East Beirut and 14 were wounded.

Shops, schools and banks were closed later in West Beirut and other Muslim sections of Lebanon on the first day of national mourning for Ayatollah Khomeini declared by the Syrian-backed government, which is contesting power with General Aoun's military administration.

### Ethiopia Offers Peace Talks to Rebels

ADDIS ABABA (Reuters) — The Ethiopian parliament unanimously backed unconditional peace talks on Monday with rebels in Eritrea to try to end one of Africa's longest civil wars.

The government's peace plan, marking a dramatic policy turnaround, was approved by all 750 deputies attending a special session of the 632-member parliament, which had been called solely to discuss the 28-year-old war.

Diplomats said it was the first time President Mengistu Haile Mariam, who introduced the plan, had set no conditions for peace talks with the northern rebels. The proposal said the talks, the venue and date of which would have to be agreed by both sides, should be attended by international observers. It said the government was open to discuss any other proposals for peace in the region.

## TRAVEL UPDATE

### EC to Regulate Airline Reservations

LUXEMBOURG (Reuters) — The 12 European Community transport ministers agreed on Monday on rules to ensure the fairness of computerized airline reservation systems, diplomats said.

The new regulations give the EC Executive Commission in Brussels the power to crack down on any abuse of the airline-owned systems, which handle 70 percent of flight bookings.

"These rules make biased presentation of information illegal," a diplomat said. "At present people can either exclude services from their display or fiddle the order in which flights are presented to make some look more advantageous than they are."

## WEATHER

EUROPE				ASIA			
	HIGH	LOW	P		HIGH	LOW	P
Algeria	C	F	62	Bangkok	C	F	68
Amsterdam	C	22	52	Beijing	C	F	91
Antwerp	C	22	52	Bombay	C	F	91
Athens	C	22	52	Buenos Aires	C	F	91
Berlin	C	22	52	Calcutta	C	F	91
Birmingham	C	22	52	Chongqing	C	F	91
Bombay	C	22	52	Dacca	C	F	91
Boston	C	22	52	Dhaka	C	F	91
Brazil	C	22	52	Hankow	C	F	91
Buenos Aires	C	22	52	Harbin	C	F	91
Cardiff	C	22	52	Hong Kong	C	F	91
Cebu	C	22	52	Kobe	C	F	91
Colon	C	22	52	Manila	C	F	91
Copenhagen	C	22	52	Medan	C	F	91
Dallas	C	22	52	Osaka	C	F	91
Damascus	C	22	52	Shanghai	C	F	91
Dar es Salaam	C	22	52	Singapore	C	F	91
Delhi	C	22	52	Taipei	C	F	91
Detroit	C	22	52	Tokyo	C	F	91
Dublin	C	22	52				
Geneva	C	22	52	AFRICA			
Hamburg	C	22	52	Algiers	C	F	68
Hankow	C	22	52	Cairo	C	F	68
Harbin	C	22	52	Campbell	C	F	68
Hong Kong	C	22	52	Casablanca	C	F	68
Kobe	C	22	52	Conakry	C	F	68
Manila	C	22	52	Dakar	C	F	68
Medan	C	22	52	Laos	C	F	68
Osaka	C	22	52	Libya	C	F	68
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				Tampa	C	F	68
				Vancouver	C	F	68
				Winnipeg	C	F	68



## Latin Americans Assail OAS For Helping U.S. in Panama

By Larry Rohrer  
New York Times Service

MEXICO CITY — The decision of Latin American countries to cooperate with Washington's efforts to seek a "regional solution" to the crisis in Panama through the Organization of American States has generated widespread criticism and skepticism in the hemisphere.

The displeasure has been greatest in Mexico, where foreign policy has been based on standing up to the United States. By joining the United States and 18 other OAS countries in condemning General Manuel Antonio Noriega for "grave abuses," the Mexican government has become embroiled in a domestic uproar.

Many in the country's intellectual establishment and political opposition have attacked the May 17 vote and an earlier communiqué as betrayals of Mexican principles, especially that of nonintervention.

The political commentator Lorenzo Meyer said that Mexico has "much to lose and little or nothing to gain" by aligning itself with Washington and "modernizing the concept of nonintervention." In an essay in the country's leading news magazine, Jorge G. Castaneda, co-author of "Limits to Friendship: The United States and Mexico," termed Mexican policy "catastrophically disastrous."

The criticisms in Mexico and elsewhere are indications of internal political pressures, which will make it difficult for Latin American countries to act through the OAS against General Noriega.

An OAS meeting Tuesday in Washington is scheduled to discuss a report by a delegation that just returned from Panama and consider what steps, if any, to take next to resolve the Panamanian crisis.

In Mexico and in other countries, "Panama has been transformed from a foreign policy question to a subject of internal politics,"

like raising taxes," a regional diplomat recently said. "Central America is a subject close to concrete, palpable national interests, so the Panama debate has become an instrument to evaluate those interests."

After the OAS condemned the Noriega abuses and called for a peaceful "transfer of power" to a democratically elected government, President Carlos Andrés Pérez of Venezuela said that the decision marked "the inauguration of new relations between the United States and the rest of the continent."

Since the overthrow of a dictatorship more than 30 years ago, Venezuela has advocated joint action "in defense of democracy in Latin America."

But Mr. Pérez has come under attack from the left, which says that he is acting as a point man for Bush administration policy in order to

win favorable U.S. treatment of Venezuela's foreign debt problem. Similar accusations have been leveled against President Alan García Pérez of Peru and President Carlos Salinas de Gortari of Mexico.

Part of the controversy stems from the image of the OAS. Among regional leftists, it has always been derided as the "ministry of colonies" because of its willingness in the 1960s to isolate Cuba and later to approve the sending of U.S. and Latin American troops to the Dominican Republic.

### France Bans Ivory Imports

Agence France-Press

HUSSEIN, France — France has banned all ivory imports in a bid to help save African elephants from extinction. Environment Minister Brice Lalonde said.

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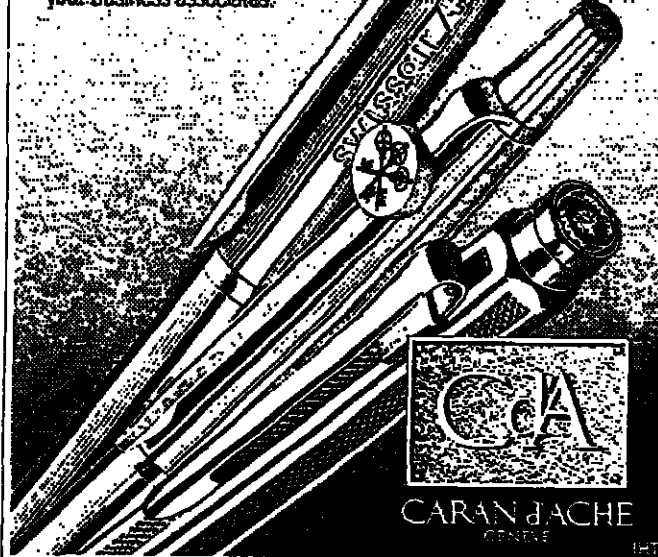
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### A Corporate Perspective

# Challenges and Issues for Asia and the Pacific



Kim Woo-Choong is the founder and chairman of Korea's Daewoo Group. Established in 1967, the Daewoo Group is active in trading, construction, heavy industry, automotive manufacturing, shipbuilding, electronics and telecommunications, chemicals and financial services. With 1988 sales of about US\$20 billion, Daewoo has 100,000 employees and more than 70 branch offices around the world. It is the first Korean company to establish a joint venture in China, and is in the forefront of Korea's emerging trade with Eastern Europe.

An excerpt of Mr. Kim's speech in Moscow:

The Republic of Korea and other emerging nations in the Asia-Pacific region are no longer marginal players in the world economy. Over the past few decades, the region has outpaced the world in economic growth, and continues to have huge potential in terms of technology development and capital. This is why so many economists and businessmen forecast that the Pacific region will be the center of the world economy in the 21st century...

As an entrepreneur, I believe that cooperation between any region or any country can be further developed if it is based on the principle of "co-existence and co-prosperity." I sincerely believe that this theory will be proven true in the relationship between the Asia-Pacific region and the rest of the world.

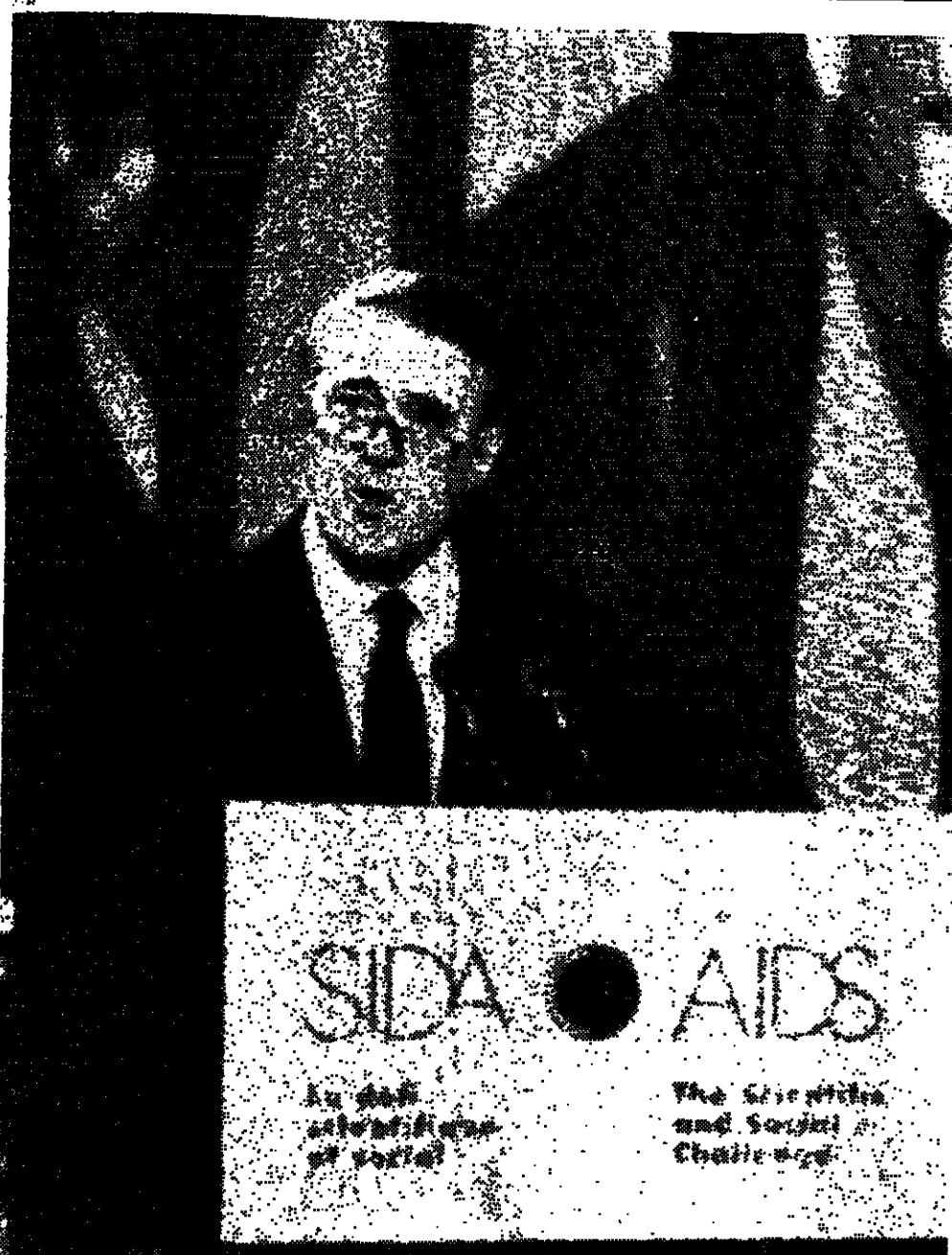
대한민국과 아시아 태평양 지역은 이제 더 이상 세계경제의 주변국'이 아닙니다. 과거 몇십년 사이에 가장 급속한 발전을 이룩한 이 지역은 아직도 엄청난 성장의 잠재력을 내포하고 있으며 상당한 기술과 자본을 보유하고 있습니다. 많은 분야의 전문가들이 21 세기에는 세계경제의 중심이 대서양에서 태평양 지역으로 옮겨지리라 하는 것도 바로 이 때문입니다...

기업가로서 저는 모든 지역, 모든 국가간의 교류는 "공존공영"의 기본 원칙에 입각해야 보다 발전될 수 있고, 또 세계 인류의 번영에 기여할 수 있다고 생각해 왔습니다. 아시아 태평양 지역과 세계 각 지역간의 교류에 있어서도 이러한 격의 소견이 상호 유익한 방향으로 발전될 수 있기를 기원합니다.

Корейская Республика и другие молодые развивающиеся государства в регионе Азии и Тихого Океана уже не являются маргинальными участниками в мировой экономике. За несколько десятилетий регион обогнал остальной мир в области экономического роста, и продолжает развивать колоссальные потенциальные возможности в области технического развития и капиталовложений. Поэтому многие экономисты и бизнесмены прогнозируют, что регион Тихого Океана станет центром мировой экономики в 21 веке...

Будучи предпринимателем, я уверен, что сотрудничество между любым регионом и любым государством может продолжаться успешно развиваться, если оно основывается на принципе "существования и совместного процветания." Я глубоко верю, что теория будет осуществлена на практике в деле сотрудничества между регионом Азии и Тихого Океана и остальным миром.

DAEWOO



Prime Minister Brian Mulroney of Canada opened the 5th International Conference on AIDS.

## No End in Sight for AIDS

### Montreal Meeting Is Told a Vaccine Is Not on Horizon

By Lawrence K. Altman  
New York Times Service

MONTREAL — The world's largest meeting on the AIDS epidemic has opened here with some optimism but with predictions that the 1990s will be even worse than the 1980s as the disease spreads both numerically and geographically.

Researchers told the conference, which opened with 11,000 participants from 87 countries, that a vaccine is still nowhere in sight.

The optimism reflected growing scientific evidence that early treatment can delay some complications of the disease and delay the progression from infection to disease in many people.

It also reflected the views of several leading scientists who expect that new drugs will be developed to combat the virus. At present, AZT is the only drug licensed for such purposes in the United States.

A co-discoverer of the virus, Dr. Luc Montagnier of the Pasteur Institute in Paris, said newer drugs, prescribed alone or in combination with AZT, might further improve the outlook.

Although scientists said they had made rapid progress in understanding much about the virus and many were working toward developing a vaccine for it, Dr. Montagnier said the prospects for rapid progress seemed dim.

Other participants said the number of AIDS cases was rising and, despite steps to educate people about the epidemic, the virus was spreading throughout the world.

At one of several meetings Sunday in conjunction with the main conference, Dr. William R. Hennessey, an official of the American Medical Association, said, "The epidemic of HIV infection is out of control in the United States and in the world." HIV is the scientific name for the AIDS virus.

Dr. Jonathan Mann, head of the World Health Organization's AIDS program, said worldwide "the decade of the 90s will be worse than the 80s, and that is not a pleasant message."

(Nine times as many adults are expected to come down with AIDS in the 1990s as have already become ill in the history of the epidemic, according to figures presented at the conference by WHO, the Los Angeles Times reported.)

In addition, three times as many people are expected to become infected with the AIDS virus in the 1990s as have become infected in the 1980s. Five million people worldwide already carry the virus.

[The WHO researchers, in making their predictions, relied on statistical reports forwarded to the organization by 155 governments as well as individual researchers. It is the most comprehensive effort yet to predict the course of the epidemic to the end of the century.]

The virus had a head start when it spread silently for a decade before AIDS was discovered in 1981. "We're making steady progress, but so is the virus," Dr. Mann said.

He said the epidemic was expanding geographically as well as numerically. In some areas like Thailand, it was increasing dramatically. Dr. Mann said the incidence of HIV infection among drug users in Bangkok was now more than 40 percent compared to 1 percent in late 1987 and 20 percent a year ago.

In some areas, the incidence of infection in female prostitutes reached 1 in a hundred, as against 1 in 1,000 several years ago, Dr. Mann said.

He said counseling had become an integral part of the global strategy to control AIDS, but it required enormous investments of time and manpower. Dr. Mann also said

studies were needed to document the benefits of counseling.

The recent advances in treatment have expanded the demands on health care institutions at the same time that the disease is increasing. There are five million people in the world who are believed to be infected with the virus, although they may not yet suffer any symptoms. That figure would include up to 1.5 million people in the United States within two years, Dr. Mann said.

### Protest Is Staged

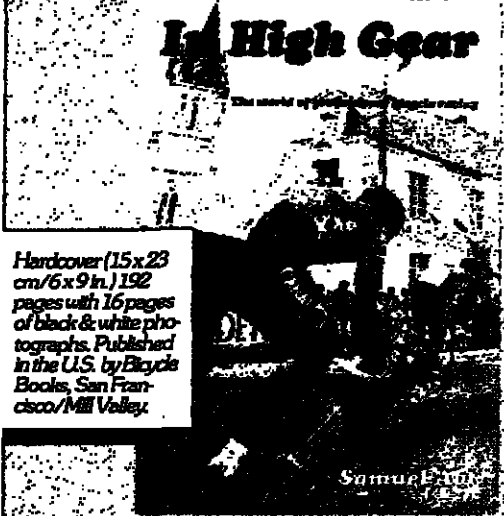
The opening session of the conference was delayed one hour by a demonstration by several hundred people with AIDS and AIDS-related

conditions, the Los Angeles Times reported. Shouting, stomping and waving banners and signs, the protesters paraded to the podium of the conference hall and presented, in French and English, a "Montreal manifesto."

The 10-point declaration called, among other things, for an international code protecting the rights of infected people to medical care, jobs, and civil liberties. It also demanded faster access to promising treatments, an end to the use of inactive placebos for purposes of comparison in experimental drug trials, and elimination of misconceptions about how the disease has spread.

## In High Gear

The World of Professional Bicycle Racing



Hardcover (15x23 cm/6x9 in.) 132 pages with 16 pages of black & white photographs. Published in the U.S. by Bicycle Books, San Francisco/Mill Valley.

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Sargent Alt captures the races, the riders and the lives they lead. Beautifully illustrated with action photos, the story is told by the man who has followed the major races for the International Herald Tribune, where he has been a journalist for over 15 years. A long-time resident of Paris, he is also the author of *Breakthrough: On the Road with the Tour de France*.

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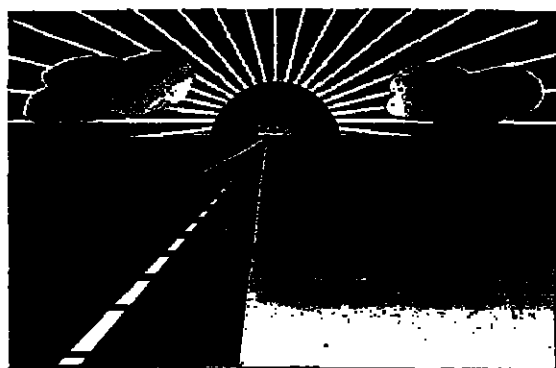
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## Gorbachev Says Gas Leak Was Ignored Before Blast Hit Trains

By Bill Keller  
New York Times Service  
MOSCOW — The Soviet Union suspended its organization of a new government for a day of national mourning on Monday while authorities contended with twin crises — a bizarre gas explosion that left hundreds dead or missing in the Ural, and an outbreak of ethnic violence that led to thousands of troops being rushed into eastern Uzbekistan.

Authorities said 190 people were known dead, at least 270 were missing and 720 were hospitalized after a gas pipeline exploded early Sunday morning just as two passenger trains filled with vacationing families were passing in opposite directions near the city of Ashgabat.

The Soviet president, Mikhail S. Gorbachev, in a somber remarks to the Congress of People's Deputies, said a preliminary investigation pointed to negligence by pipeline operators, who failed to investigate when the pressure dropped because of the leak.

Instead, Mr. Gorbachev said, the operators turned up the pumps,

thus feeding a huge pool of heavy gas vapor that accumulated for three hours in a valley surrounding the train tracks.

A spark from one of the passing trains was enough to ignite a firestorm, he said.

General Mikhail Moiseyev, the chief of staff, was quoted by the Tass press agency as saying the explosion had the yield of a 10-kiloton nuclear bomb, the equivalent of 10,000 tons of TNT, and was so powerful that it felled all trees for a distance of about five kilometers (three miles).

After hearing from Mr. Gorbachev, the Congress canceled the session at which it had planned to complete the organization of a new legislature.

Meanwhile, one of the commanders of the Interior Ministry security troops who were dispatched to eastern Uzbekistan said in a telephone interview Monday night that 42 people were known dead in the violent weekend rampage that shook Fergana and seven nearby settlements.

Tass reported only two dead and scores wounded in the conflict between indigenous Uzbeks and the

Mesket minority, which was forcibly exiled to the region by Stalin near the end of World War II.

"It's difficult to identify many of the corpses," said the troop commander.

Vadim V. Bakatin, the minister of internal affairs, said on television Monday night that 6,000 troops had been sent to restore order and that more were on the way.

Mr. Bakatin criticized local officials for failing to open a dialogue with the rioters and suggested that the violence had been provoked by unknown forces seeking to disrupt Mr. Gorbachev's program of political and economic change, known as perestroika.

There are civil forces who think 'the worse it is, the better,' and who want to destabilize the situation," he said, "who want to interfere with perestroika, who, precisely at this important moment, when the Congress is taking place and we are beginning to resolve many vital and essential matters — try to mess it all up."

Tass said the conflict grew out of a fight on April 26 in the district center of Kuvvasi, in which two

Uzbeks were wounded, one of whom later died.

Tensions simmering since that event exploded this weekend, and thousands were involved in the fighting, some of them riding motorcycles and armed with sawed-off rifles.

Soviet television suggested that the situation was still not fully under control.

In the latest fighting, according to the Interior Ministry troop commander, most of the dead were Mesketians, and most of the 64 people detained by the police were Uzbeks.

"I don't think you can call it entirely political, nor was it purely rowdiness," the commander said. "The conflict has been ripening for a long time."

The television report Monday night said the conflict was aggravated by unemployment among young people displaced by mechanization of the cotton farms that are the basis of the local economy.

The Mesketians, a small minority among the nearly two million inhabitants of the Fergana region, were exiled to Central Asia republics from their home in southwest Georgia in 1944 because Stalin wanted to clear the area of potential pro-Turkish peoples before extending Soviet operations into northeastern Turkey.

On Monday night, Soviet television showed the heavily patrolled streets of Fergana and a nearby

town, Margilan, and the charred remains of buildings and vehicles.

"Today, one of the most beautiful towns of Uzbekistan resembles a besieged city," the reporter said from Fergana. "Soldiers with assault rifles, shields, and clubs can be seen everywhere."

A large group of deputies in the People's Congress issued an appeal "to listen to the voice of reason and stop the bloodshed."

The appeal was aimed both at Uzbekistan and the contested enclave of Nagorno-Karabakh, where angry Armenians continued a general strike and street protests to press their demand for separation from the republic of Azerbaijan.

Soviet television and Tass provided voluminous details Monday about the gas explosion that blew two locomotives and 38 passenger cars off the tracks.

A commission set up to investigate said the chief cause of the accident was a rupture in the pipeline carrying liquefied gas from oil fields in Nizhnevartovsk to refineries in Ufa.

The mixture of propane, butane and benzene evaporated but the heavy fumes accumulated in the ravine leading to the railway, more than half a mile away, the commission said.

Mr. Gorbachev said that the two trains — running between the Siberian city of Novosibirsk and the Black Sea town of Adler — were not scheduled to be in the area near

the pipeline at the same time, but that one had fallen behind schedule.

One of the locomotive engineers who was thrown from his locomotive and crawled several miles to safety, reported that even at high speed he could smell the gas, hovering like fog at the level of the train windows.

A Soviet Army officer told Tass that he had been standing at the window of the train when he noticed a scald, petroleum smell.

"I sense that something must be wrong, but before I could do anything there was a glow and then a thunderous explosion," he said. He fled the burning car through the broken windows.

Survivors, burn specialists and large quantities of scarce medical supplies have been airlifted to the region, Tass reported. Donors streamed into blood centers in several cities to contribute to the victims.

Many victims were reported in grave condition from the combination of severe burns, concussion and poisoning from gases emitted by the burning plastic of the railway coach seats.

Although a search continues, Tass indicated that most of the passengers still missing in the acres of scorched forest were presumed dead.

Many of the victims were children bound for a holiday camp in the Crimea.

West Praises East on Rights Gains  
At Paris Parley but Asks for More

By Steven Greenhouse

New York Times Service  
PARIS — At a 35-nation East-West conference on human rights, Western diplomats have praised the Soviet Union and East European countries for having made important strides in the granting of basic freedoms.

But U.S. and West European diplomats in Paris, although lauding the elections and the increase in free speech in the Soviet Union, Poland and Hungary, have urged

those nations to make further human-rights changes.

The head of the U.S. delegation to the monthlong meeting, Morris B. Abram, said, "We'd be wrong and stupid not to admit that things are beginning to change."

The Conference on the Human Dimension, which opened last week, is being held under the framework of the Helsinki Accords and will review human rights practices in many countries.

It will also gauge the success of

newly established procedures that allow one nation to protest and publicize specific rights violations in another.

Mr. Abram said East European governments represented at the conference were increasingly acknowledging that rights were no longer just an internal matter.

The conference is a follow-up to a meeting held in Vienna in January at which participating nations established a four-part procedure to enable a country to inquire formally about human-rights abuses in another.

U.S. officials said the Soviet Union had improved its human rights performance by allowing competitive elections, releasing many political prisoners and stopping radio jamming. The Soviets have also made it easier to obtain exit and travel visas, and have let many Jews emigrate.

"If we don't say the truth about when they have improved, what is their incentive to improve?" Mr. Abram said.

Nevertheless, Mr. Abram criticized Moscow for continuing to make it difficult for many people to obtain exit visas and for keeping certain human-rights campaigners from attending the conference.



A Soviet policeman jumping from one of the burned and twisted railroad coaches at Ufa.

## Hungarians to Honor Havel

The Associated Press

BUDAPEST — A cultural center will stage a literary evening on Tuesday featuring excerpts from works by Vaclav Havel, the Czechoslovak playwright who is banned in his native country, the state press agency MTI reported Monday.

Earlier this year, Hungarian newspapers sharply criticized the jailing of Mr. Havel, who was recently released from prison after

serving four months for supporting opposition rallies. At the time he was sentenced, thousands of Hungarian students staged a protest in Voevodsmaty Square, in downtown Budapest.

The press agency said the literary evening was being jointly sponsored by the Association of Hungarian Writers, Hungarian radio and the Kossuth Club. It will feature works by Mr. Havel that have not yet appeared in Hungarian.

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## U.S. Rethinks a Political Solution for Afghanistan

By Robert Pear  
New York Times Service

WASHINGTON — Amid growing doubts that the Afghan guerrillas can topple the Kabul government, the Bush administration is edging toward a new policy that emphasizes the possibility of a political solution to the conflict.

Administration officials said that several factors had prompted them to reconsider their belief that the guerrillas would take Kabul by force following the withdrawal of Soviet forces earlier this year.

Key members of Congress are impatient with the current policy. The guerrillas' military campaign has stalled. And, most important, Prime Minister Benazir Bhutto of Pakistan, who was to arrive in Washington on Monday, is pushing for changes.

She will take part in a review of U.S. and Pakistani policy when she meets with President George Bush and Secretary of State James A. Baker 3d.

Miss Bhutto has signaled a desire for change several ways:

• She has said she wants a political settlement in Afghanistan so that the 3.6 million Afghan refugees in Pakistan can return home.

• She dismissed Lieutenant General Hamid Gul, the head of Pakistan's military intelligence, who supervised distribution of U.S. weapons to the Afghan guerrillas.

Under his guidance, the agency strongly favored Islamic fundamentalist groups in the Afghan guerrilla alliance. Miss Bhutto has said that she would not want to see an Afghan government dominated by fundamentalists and has called for negotiations to create a broad-based government.

• She has chosen a new ambassador to the United States. The envoy, Zulfikar Ali Khan, supported efforts by the United Nations to devise a political settlement and said in 1984 that Pakistan should engage in direct talks with Kabul to end the war. The United States has opposed such talks, as did Miss Bhutto's predecessor, President Mohammad Zia ul-Haq.

In a telephone interview from

Islamabad, Mr. Ali Khan said that the guerrillas could not be expected to negotiate with Major General Najib, the Afghan leader, or other prominent Communists in Kabul. But he added that if General Najib were replaced by "some neutral, eminent Afghan émigré living in the United States or Europe, and if 'hard-core members' of the Communist Party were removed from the government, the guerrillas could talk with Kabul about elections. General Najib has said that the Communists must be part of any new government.

U.S. officials had assumed that the guerrillas would displace the

Kabul regime within a few months after the Soviet troops withdrew.

The officials say that they are reassessing this policy and trying to determine how Washington could promote a peaceful transfer of power to a moderate non-Communist government.

The guerrillas would have a large role in such a government, which could also include Afghans who are not associated with the rebels or the Communist Party.

"It's time for a reappraisal of our policy," a White House official said.

The guerrillas' assault on the eastern city of Jalalabad, begun

nearly three months ago, has been "a disaster, a terrible mistake, a miscalculation," the official added.

At some point, the official said, "We may have to sit down and talk to the Soviets about the future of Afghanistan." The United States has resisted Soviet requests for such talks.

The thinking of some U.S. officials appears to parallel the thinking of the government in Pakistan. Foreign Minister Sahabzada Yaqub Khan has said that a military solution was "not desirable," that Pakistan wanted a comprehensive political settlement in Afghanistan and that the United Nations should

help achieve a peaceful transfer of power.

While the CIA has been optimistic about the outlook for a military victory, aides to Mr. Baker fear that there could be a long stalemate in the fighting.

The Near East Bureau of the State Department has resisted changes in the current policy and wants to give the guerrillas more time to seek a military victory.

The European Bureau, which deals with the Soviet Union, and some members of Mr. Baker's policy planning staff argued that a review was needed in case the guerrillas failed to regain momentum.

## Experts Dispute Soviets on Baltic Pacts

New York Times Service

WASHINGTON — U.S. archivists say there can be no doubt about the authenticity of the 1939 German-Soviet treaties assigning the Baltic republics to the Soviet Union, even though the original documents have never been found and the German versions were apparently destroyed by the Nazis near the end of World War II.

The archivists said that microfilm copies of the documents were discovered in Germany in 1945, and that a copy of the German microfilm was available for inspection at the National Archives in Washington.

On Thursday, the new Soviet legislature formed a commission to determine whether the Baltic republics had voluntarily joined the Soviet Union or whether they had been taken by force under the 1939 agreements between the Soviet Union and Nazi Germany.

The Soviet president, Mikhail S. Gorbachev, was apparently critical when he said in the Soviet Congress of People's Deputies that no one had found the original versions of the 1939 agreements. But American archivists said he was wrong to suggest that the microfilm copies might be fraudulent.

The agreements in question defined Soviet and German "spheres of interest in Eastern Europe."

The first agreement was signed on Aug. 23, 1939, as a secret protocol, or annex, to a nonaggression pact signed the same day by the Soviet Union and Nazi Germany.

The protocol assigned Latvia and Estonia to the Soviet sphere and Lithuania to the German sphere.

A second protocol, signed Sept. 28, 1939, after the conquest of Poland, transferred Lithuania to the Soviet sphere. The three Baltic republics were independent between the world wars and were formally annexed by the Soviet Union in 1940.

Robert Wolfe, the supervisor of captured German records at the National Archives in Washington, said the German foreign minister, Joachim von Ribbentrop, ordered the original documents destroyed.

But the man who was in charge of their destruction, Carl von Lohse, made microfilm copies, Mr. Wolfe said. The microfilm was buried.

The story of its retrieval is told in a report written by Lieutenant Colonel Robert C. Thomson, the lead-

er of a team of British officers working in Germany in 1945.

The report said Mr. von Lohse, one of Hitler's interpreters, approached a British military officer and "offered to reveal the whereabouts" of microfilm containing "the most secret archives" of the Nazi Foreign Office.

Together with an American officer, they went to "a lonely spot" in a steep ravine thick with pine trees, where they dug up a large canister containing the documents on microfilm.

The discovery occurred on May 14, 1945, near Mühldamm, in Thuringia, a region taken and briefly occupied by U.S. troops in what is now East Germany.

The German microfilm was taken to Britain, where prints were made in 1945. From the prints, new microfilm was produced.

The microfilm available at the National Archives is legible, but some of the words are obscured by large blotches or stains.

Soviet officials do not accept the microfilm copies as authentic.

But George O. Kent, a professor of history at the University of Maryland, said:

"This film authenticates the protocol more positively than even a

purported original. For the protocol was filmed between a great many other documents whose validity has not been questioned, and it would be harder to counterfeit a whole roll of film than a single document."

The captured German microfilm was given to the West German government in the late 1950s.

The Senate Foreign Relations Committee is investigating the relationship between the 1939 agreements and the Soviet annexation of the Baltic states.

From the archives of the West German Foreign Ministry, the committee has obtained documents that record the diplomatic history surrounding the negotiation of the Nazi-Soviet pact.

A spokesman for the West German government, Hans Klein, said last week in Bonn that Chancellor Helmut Kohl had made the microfilm available to Soviet historians in December, in response to a request from Mr. Gorbachev.

Soviet officials have contended that the Baltic lands willingly accepted Soviet rule, but many residents of the Baltic republics reject that contention.

—ROBERT PEAR



A model of the new 45-cent U.S. airmail stamp that will be issued on July 14, Bastille Day.

## U.S. Stamp: Le Misérable?

By Barth Healey  
New York Times Service

NEW YORK — The U.S. Postal Service, it seems to some collectors, cannot tell its right from its left. Others find a streak of puritanism or suggestions of racism — and all this on just one stamp.

A Postal Service official and the designer of the stamp vigorously deny all three suggestions.

The stamp, which will be released on July 14, Bastille Day, to mark the bicentennial of the French Revolution, shows three allegorical figures of Liberty, Equality, and Fraternity, against colored panels that look like the French tricolor.

But alas, the colors on the 45-cent stamp, from left, are red, white and blue; the colors on the

flag, from left, are blue, white and red.

This puzzles a French Embassy official in Washington, Richard Barbeyron, who is coordinating French-American celebrations of the bicentennial. He admitted that at the presentation of the design in April, he did not notice the transposition. Taking a second look, Mr. Barbeyron said: "Maybe it is a mistake, or maybe the design is intentional. It is certainly a reversal of a French flag, but I don't know why."

An employee of the Postal Service stamp support branch, Kim Parks, said the stamp was not a flag. "The design was intentional, just the colors of the two countries," Mrs. Parks said. "It was not intended to impersonate a flag. In fact, there was a con-

siderable effort not to remake the French flag."

The designer, Richard Sheaff of Boston, said there was an early decision not to make the stamp look like a flag, partly out of uncertainty about whether the French would approve. The horizontal and vertical proportions do not match those of the tricolor, he said.

But a Manhattan resident, Janine M. Low, looked at the design and said it was a flag.

"What will scream from every stamp is the reversal of the colors in the French flag," she said. "I sincerely hope that the Postal Service will not be ridiculed by a stamp, which will mainly be used for letters to Europe."

The suggestion of puritanism seems to be a result of the technical problems in reducing a large engraving of Fraternity at the Musée Carnavalet in Paris to fit in a section of paper measuring less than two square inches (13 square centimeters). The engraving shows a woman whose gown has slipped low, exposing a breast. On the stamp, the breast lacks a nipple.

"With nudity, sex, and violence an integral part of our culture these days," said Dr. Bernard S. Moskowitz of Ridgewood, New Jersey, any such tampering with a stamp design "seems in the realm of the ridiculous."

Mrs. Parks attributed any omission to the great reduction in size of the figure. The designer said it would have been an engraver's decision whether to use the tiny dot that would have been needed.

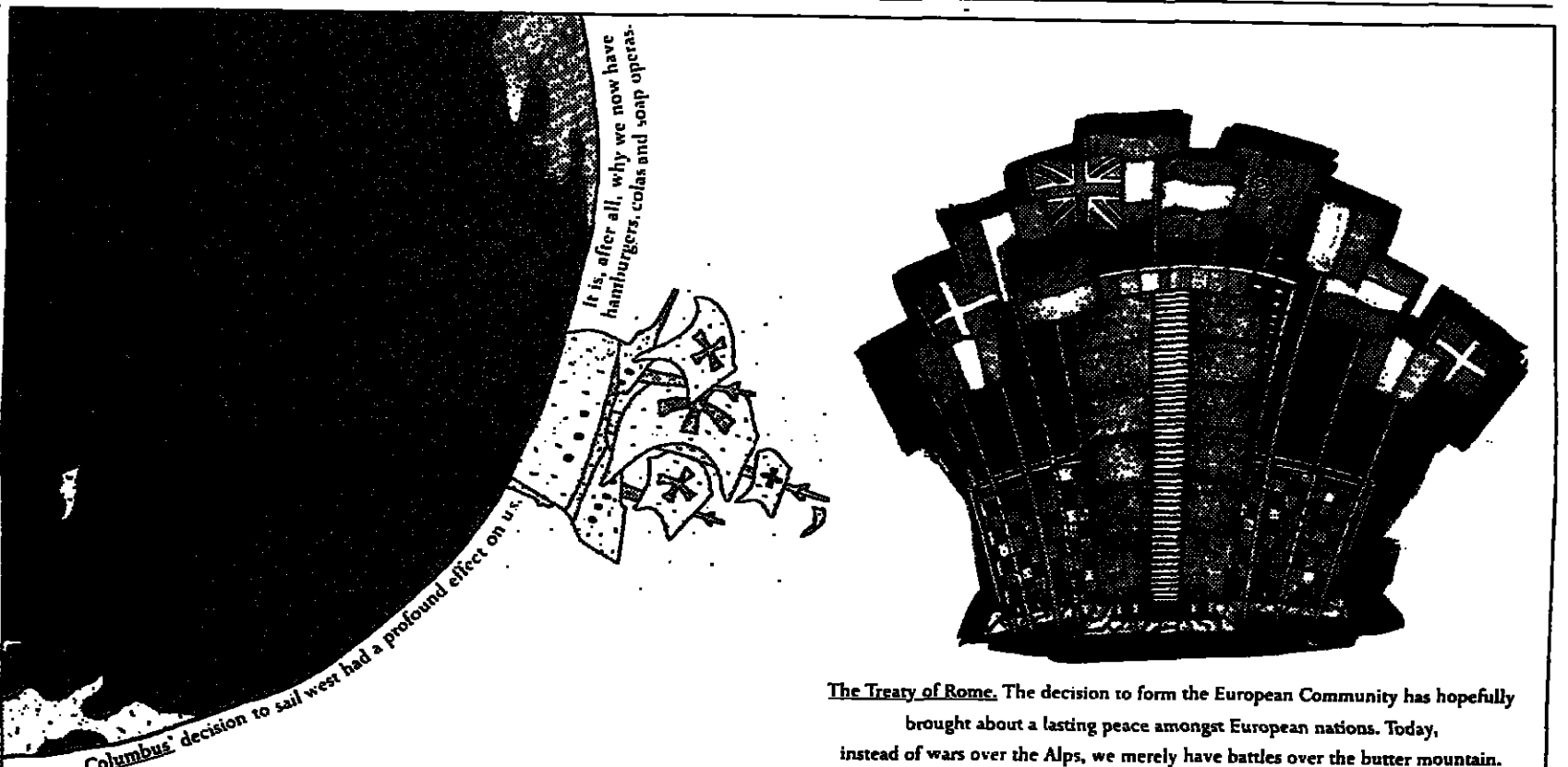
For the insinuations of racism, Fraternity is again the focus. In the original, one of the cherubs at Fraternity's feet is white, the other black. On the U.S. stamp, both are white.

But Mrs. Parks said all the figures were redrawn in bas-relief to resemble statues, and in silver to stand out against the colored panels. Silver, she said, not white, and without any thought of race.

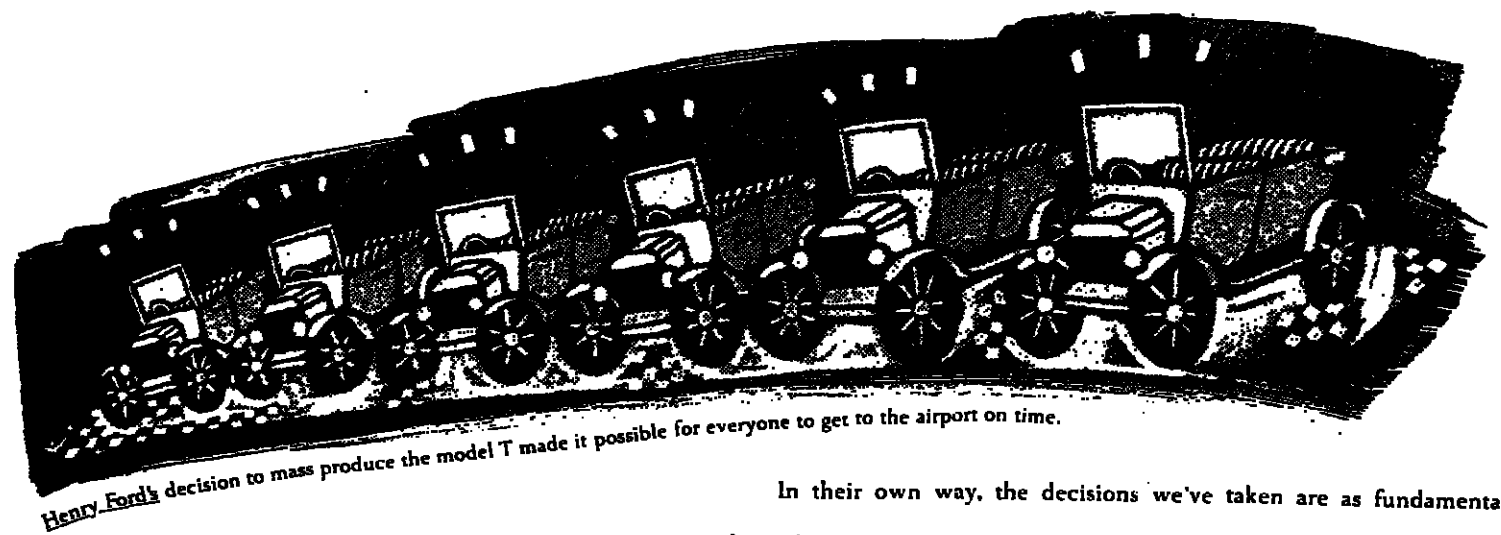
Letter writers who are undecided about whether the tricolor has been reversed can solve the problem by turning the stamp upside down. Addressees in France might appreciate that.



The Soviet stamp honoring the bicentennial of the French Revolution, featuring Danton, Robespierre and Marat.



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## Swede Denies Murdering Palme

Reuters

STOCKHOLM — Carl Gustav Christer Petersson, the man accused of murdering Prime Minister Olof Palme in 1986, pleaded not guilty as his trial opened Monday.

"I did not murder Prime Minister Olof Palme," Mr. Petersson, 42, told the court. "I did not try to murder Mrs. Lisbet Palme."

Mr. Petersson, arrested in December, is accused of killing Mr. Palme with a single shot in the back Feb. 28, 1986, as the prime minister walked home from the movies with his wife. He is also charged with the attempted murder of Mrs. Palme, who was grazed by a second shot.

Mr. Petersson, a Swede, had been described by the police as an inveterate, violent criminal, and an abuser of drugs and alcohol. "The

murder of Palme was a vile deed which I could never have brought myself to do," he said in reply to the charge.

Prosecutor Anders Helin told the court: "He probably saw the Palmes go into the cinema. He waited until the film was over and followed them down the street."

"He then drew ahead of them, waited at a corner for the Palmes to pass him and fired two shots — the shot which killed Olof Palme and the shot which wounded Lisbet Palme."

The evidence against Mr. Petersson is mainly circumstantial and will rest to a large degree on the testimony of Mrs. Palme, who identified the defendant from a video lineup.

Mr. Helin screened the video tape in court. It showed 12 men from the back, front and sides. All were about the same size and weight and most, like the defendant, wore mustaches.

Mrs. Palme had identified Mr. Petersson, who was No. 8 in the lineup, although she recalled him being clean shaven at the time of the murder.

According to Mr. Helin, other witnesses also recalled the man seen following the Palmes as being clean shaven.

Mr. Petersson had told police he had worn a mustache for the past 10 years but the prosecutor said he would show the court a picture of him from April 1986 in which he was clean shaven.

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## Braque Painting Stolen From Museum in Paris

The Associated Press

PARIS — A small 1906 painting by Georges Braque, estimated to be worth 20 million francs (about \$3 million), has been stolen from the National Museum of Modern Art at the Pompidou Center, museum officials said.

Entitled "L'Estaque, l'embarcadere" (Wharf at L'Estaque), the painting was removed last week from a room where it was displayed with other works of the Fauvist movement. It was not known how the painting, which measures 14 inches by 19 inches (about 36 centimeters by 49 centimeters) was taken out of the building.

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# Herald Tribune

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## Massacre in China

### Deng Chose Blood

Mao Zedong taught Chinese Communists that political power grows out of the barrel of a gun. Deng Xiaoping believes it. Now 84 years old, and said to be hospitalized with cancer, he is neither too old nor too ill to order the army massacre of hundreds of unarmed, idealistic Chinese students in Beijing's central square.

The weekend events will likely prove to be monumental folly as well as monumental tragedy. This was the first time in the 40-year history of the People's Republic that the field army was used against the people in the capital. The regime's remaining legitimacy seems virtually destroyed. Even in the wake of overwhelming firepower and ruthlessness, resistance, in one form or another, seems certain to continue. Mr. Deng and his narrow group rule only by force and fear.

Poland's recent history shows what that means: isolation, stagnation and instability. China's unity, its economic development and its relations with the rest of the world are all now imperiled. It is inconceivable that the small group of hard-line politicians can long impose its will on hundreds of millions of restive Chinese, even with full command over the People's Liberation Army and the Communist Party apparatus.

For all their stern savagery, the hard-liners' mastery of army and party cadres nationwide is anything but assured. During the last month there has been ample evidence

of strong opposition to the use of military force by many ranking figures. And even if centralized party control holds, new reports of Mr. Deng's ebbing vitality make clear that the struggle to succeed him will continue.

Mr. Deng and his protégé, Prime Minister Li Peng, are now surely the most hated men in China. Mr. Li is shown to have lied to his people when he promised that troops would not be used against the peaceful student demonstrators. And Mr. Deng has defied his reputation and 10 years of leading the way to an educated, modernized China.

It's a familiar, poignant, ironic story: the old leader's insistence on wielding power to the end, poisoning his legacy and destroying any hope of orderly succession.

Deng Xiaoping, more than anyone, rescued China from the near anarchy of the Cultural Revolution. Deng Xiaoping, more than anyone, ushered in a decade of transforming prosperity. Economic opening brought increased contact with the outside world and nurtured yearnings for democratic reforms as well. And it enhanced the importance of a new student generation, no longer the destructive Red Guard zealots but now the intellectual pioneers of national progress.

Deng Xiaoping has never accepted the necessary political corollary of his economic plans. How has he now responded to the students, fired by the visions he ignited? By gunning them down in the streets. Americans join Chinese in their mourning.

—THE NEW YORK TIMES.

### Tension Lies Ahead

In Tiananmen Square a cynical and panicked Chinese leadership has used tanks and troops against unarmed students and workers asking for democracy. It had looked as though some other outcome might be possible, not necessarily a student triumph but a government reassertion of power by nonviolent means. The party leadership, however, evidently could not countenance any loss of face, even on terms leaving party power formally intact, especially on terms legitimizing the students' protest and cause.

There was a debate behind closed doors; its result became known early Sunday. Deaths in the hundreds — according to some accounts, in the thousands — are being reported in a classic struggle of people against brute power. China had ap-

peared to be edging from a generally successful, party-directed economic reform into a careful and also party-directed experiment with mild political reform. This was the prospect symbolized and encouraged by Mikhail Gorbachev's visit to Beijing last month. There suddenly burst forth, however, a hunger for democracy that was unprecedented in China and which few people anywhere had anticipated — a humbling lesson in the mystiques of totalitarian rule.

A wise leadership would have absorbed the impact from below and, at least to some degree, accommodated it. But the actual leadership that emerged saw the new passion as a deadly threat to party control and national stability. The measure of its misreading is on view in Tiananmen Square. For China a period of great uncertainty, tension and distraction lies ahead.

—THE WASHINGTON POST.

## Iran's Annals of Blood

A decade ago, in a matter of weeks, Ayatollah Ruhollah Khomeini made himself into an icon recognized worldwide. To outsiders, the round black turban, the harsh eyes and the long white beard came to personify the mortal zeal of the American hostage crisis and one terrorist episode after another. To Shiite Muslims, often patronized and reviled, the icon personified strength and spiritual probity. The ayatollah, who died on Saturday, owed much of his vast authority in Iran and Islam to an aura of sanctity that pervaded his person.

But appearances were deceptive. Mixed with his piety was the guile of a Borgia; he wholly deceived a parade of protégés and would-be successors about his true intentions. One may reasonably wonder how long it will be before the millions of Iranians mourning his death will also awake to the fact that they were misled by a master.

During his years as Iran's absolute ruler, a million lives, many of them teenage boys, were lost in a futile, eight-year war with Iraq — gruesomely symbolized by the red-dyed cascade of water in Tehran's Fountain of Blood. Leading a revolution against a corrupt, authoritarian shah, the ayatollah established an Islamic regime that instantly became still more despotic.

He filled jails and graves with dissenters. He ordered broadcasters whipped for tolerating views which he detested. He even sought to ban music. Now it is the clergy that

has been infected by corruption, while Iran's oil-based economy has been shattered by war, inflation and mismanagement.

For all his claims to selflessness, Ayatollah Khomeini treated Iran as if it were a personal or family possession. In his last days he was maneuvering to turn power over to his son. And by calling for the murder of Salman Rushdie, the Indian-born author of a supposedly blasphemous novel, the ayatollah summoned up the darkest passions of intolerance.

How he thought of his people and especially Iran's youth can be gauged by what he said last year when he agreed to a ceasefire in the war with Iraq. He likened the decision to drinking poison.

Ayatollah Khomeini rekindled the self-esteem of a country that felt itself endlessly victimized by foreign manipulation. But he exacted a terrible and needless price. His years in power recall the story of the Old Man of the Mountain heard by Marco Polo when traveling in the same region seven centuries ago. It was the old man's custom to kidnap and drug young men, causing them to believe they had awakened in paradise. He would then tell them, "Go thou and slay mine enemy; and when thou returnest, my angels shall bear thee into paradise."

Now that the ayatollah faces posterity's judgment, his country must decide just how much of a paradise he left behind.

—THE NEW YORK TIMES.

## Other Comment

### Lessons From China's Ordeal

Even if a hard-line regime in China succeeds in holding down its people's anger, it can scarcely expect from them the kind of cooperation, vigor and creativity needed to generate economic growth. And it ought to have learned from history that the day must come when even the tightest of lids will be blown away by an explosion of pent-up frustration and rage. China's tragedy is that the old men who sent in the tanks might not even realize this, or care much beyond enforcing the supremacy of the unworkable political order they fought for decades ago. Already the shivers are going down the spines of every thinking person in Hong Kong, whose very mark is that what happens today to China's students and intellectuals may well happen to them after 1997.

—The Straits Times (Singapore).

It is not only the students in Beijing who have been taught a savage lesson by the feudal lords of what we had begun to think of as "modern" China. The West, as a whole, has tended to turn a blind eye to human rights abuses in China. Our government must press with the utmost firmness to secure the rights of the Hong Kong Chinese after 1997 and, if it cannot be certain of doing so, be ready to grant visas to those

most at risk. Deng Xiaoping and his "Long Marchers" have dishonored themselves. Britain's honor is now at stake.

—The Daily Telegraph (London).

China will never be the same again. The pro-democracy movement, its brutal suppression over the weekend and the widespread reaction against this in many parts of China have changed fundamentally the political chemistry in that country. For one thing, Deng Xiaoping has established a big IOU with the military, who naturally will be eager to cash it in in the near future. The military leaders obviously have calculated that Mr. Deng, 84, will not live forever. On the other hand, the People's Liberation Army has to a large degree lost its credibility.

Suddenly Taiwan, which recently has managed to introduce significant political adjustments toward establishment of a participatory political process, becomes an attractive proposition for the Chinese people. We should not rule out the novel possibility, given the ideological disarray of the Chinese Communist Party, that a revitalized Kuomintang with a pragmatic ideology more suitable to economic progress could offer political alternatives for transforming Chinese society on the mainland.

—The Jakarta Post.

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## China's People Deserve Better Than Deng

By Jim Hoagland

PARIS — People get the government they deserve. So goes a favored maxim of foreign correspondents and diplomats. But China has disproved this facile notion so thoroughly that it now belongs to the past.

Throughout the political crisis that Deng Xiaoping seeks to drown in blood, the people of Beijing have acted morally and ethically. They have taken to the streets not to seek specific remedies but to denounce the corruption and arrogance of the old men clustered around Mr. Deng. Their cause was even more basic than what we in the West understand as democracy. Their cause was decency.

This is why Mr. Deng has chosen to bring the temple down around himself. There was no way to hide the disparity between the decency of his opponents and the decay and sordidness of the small gerontocratic elite that he leads. They could not face the moral witness that hundreds of thousands of brave Chinese bore in the streets of Beijing almost daily for the past seven weeks.



This is why the "old boys" of the Communist leadership could not bring themselves to make the relatively simple gestures that would have headed off this crisis. Mr. Deng would not moderate an ill-tempered outburst in which he denounced the students as unpatriotic. He and Prime Minister Li Peng preferred to declare martial law, split the Communist leadership and take China back into isolation rather than acknowledge the moral superiority that their "subjects" had gained over them.

These supposedly patriotic leaders are destroying Chinese nationalism by making the populations of Taiwan, Hong Kong and elsewhere ashamed of what is being done in China's name. These leaders who accuse the people of coming under foreign influence kill to preserve Marxist-Leninist control of China. They have turned to government by slaughter. They seek to reimpose terror and subjection on a population that had begun to rediscover a self-respect and a voice effaced by 40 years of Communist rule.

There can be no other explanation for the scenes reported from Beijing by the diligent and courageous resident press corps that has covered this story with distinction. How else to explain soldiers methodically kicking a 12-year-old girl to death, shooting children in their mothers' arms, bayoneting to death a woman student pleading with them not to harm others?

It is enough to make us think of China as a particularly savage and uncivilized place from which we should now recoil, venting our fury and calling for an end to contacts with this monstrous government. But calculation and resolve are required from foreign nations at this particular moment. Anger and the urge to punish should come later if the army and the bureaucracy continue to accept Mr. Deng's madness as law.

That is the point of making a particularly sharp distinction between the people and the government in China. Accurate statements that undermine the distinction and offer help to a highly civilized and moral people in their hour of need are more important than a quick and across-the-board move to punish their depraved rulers.

The best hope for stopping the slaughter and for removing its instigators from power lies with officers in the military who must realize that they risk losing access to Western technology and cooperation because of the Beijing massacre.

This conveys a special responsibility on the United States, and President George Bush has met that responsibility by making two points clear: Washington wants to maintain its military and intelligence cooperation with China, but it will be forced to abandon that cooperation unless Mr. Deng's folly is quickly reversed. Beyond suspending weapons sales, Mr. Bush should signal that the United States will rene-

### It is not enough for the killing to stop and the tanks to move out of Tiananmen Square.

tantly but firmly take the lead in coordinating with the European Community and Japan to halt technology transfers to China if the suppression is not reversed.

Brandishing such action as a diplomatically phrased but clear threat is more effective than moving precipitously to cut ties across the board, as some in Congress urge. Broader sanctions now would strike at the people and institutions which have worked for China's opening to the outside world.

But it has to be clear that Mr. Bush will follow through with other sanctions unless the repression is canceled; it is not enough for the killing to stop and tanks to move out of Tiananmen Square. If Mr. Deng is still in power in one month's time, there can be no future for U.S. military sales and cooperation with Beijing.

Mr. Deng has shown the world what he is made of. In dealing with him, Mr. Bush, Margaret Thatcher, Mikhail Gorbachev and others make statements about themselves that are far more revealing than anything they can say about him.

The Washington Post.

## America Needs an Economic Perestroika of Its Own

By Robert E. Hunter

LONDON — May 29, 1989, will be remembered as the moment when President George Bush seized the diplomatic initiative from Soviet President Mikhail Gorbachev. It also should be marked as the day America entered an era in which military power is becoming less important than domestic equality and economic strength in buying global leadership.

By his proposals at the NATO summit in Brussels, Mr. Bush has declared his belief that Mr. Gorbachev is genuine, that the Kremlin leader's commitment to major arms cuts is serious, and that the Cold War is over. Thus, American security no longer depends on maintaining an ever growing nuclear arsenal or an ever constant deployment of forces abroad to contain the Soviet Union.

Some, at least, of this arsenal can be destroyed; some, at least, of those forces can come home. In the process, however, a major element of U.S. postwar power and presence in the world has been devalued.

Forty years of U.S. policy has been a time for looking back to the wisdom of Western leaders who created the Atlantic alliance, and for indulging a

wistful hope that Americans will find their ilk today. But nostalgia ignores the critical point: that in accepting for America the burdens of global leadership, the wise men of the 1940s could rely on unrivaled U.S. economic strength and capacity to act as they went about the politically indispensable work of marrying Wall Street to Washington and blending U.S. self-interest with a global perspective, thereby preventing another Great Depression and another world war.

Unwittingly, during the 1980s, it has mimicked the classic Soviet model, relying on military power to maintain its position and influence in Europe and Asia. And along with the Soviets, the United States now finds that it is not well prepared to greet the new world that is emerging. Allies that are rapidly losing their dependence on America's military might are less likely to defer to it in shaping the new Europe.

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## Cambodia: Khmer Rouge Power Isn't Invincible

By Ben Kiernan

PHNOM PENH — Prey Veng province, in eastern Cambodia adjacent to Vietnam, is a long way from the main supply bases of the Khmer Rouge in Thailand, hundreds of kilometers to the west. So the pattern of violent incidents in Prey Veng in the past few years is an illustration both of Cambodia's low-intensity dependence on the Khmer Rouge for three days after the Khmer Rouge seized power in Cambodia. When Vietnamese forces swept into the country in December 1979, he retreated to the west toward Thailand.

He returned to visit his parents in Prey Veng early in 1986. Locals quickly reported the arrival of his unit to officials of the Phnom Penh regime, but a sweep by troops found no trace. It appears that the Khmer Rouge were mostly former residents of Prey Veng who had returned from the border and were able to count on relatives to give them food. The district chief, who had fled as the Khmer Rouge attacked Sihanoukville, turned out to be Khan Souen's cousin. Under a cloud of suspicion, the district chief was demoted to a less influential position.

On Jan. 8, 1987, Khan Souen's forces attacked an army base, well armed with Chinese-made AR-16 assault rifles and B-40 rocket launchers. It is not known whether they inflicted any casualties in the attack, but that night I overheard a Cambodian army officer say that if there were any losses they would be kept quiet "to prevent people getting confused." The situation, he added, "is not good."

In August 1987, the last Vietnamese advisers withdrew from Sihanoukville district, followed by the remaining Vietnamese troops. In December and again in January 1988, Khan Souen's band came back to his village five times in search of food. Local authorities only discovered this later after the group had again crossed the Mekong to Kompong Thom province, where

they hide during the rainy season from June to October. Last January, sporadic fighting again broke out in Sihanoukville district, following the pattern of previous years.

The Prey Veng incidents are typical of Cambodia's hit-and-run insurgency. Khmer Rouge fighters are able to strike in many parts of the country. They are well armed and get some local support. But they have many enemies who will report their movements to officials. The ability to cause damage is limited even where there are few Vietnamese troops.

The raids in Prey Veng have not challenged the Phnom Penh government's control of the province. The local militia contains 17,000 armed villagers and there are at least 10 regular army battalions in the area. The Cambodian army is now much stronger than most outsiders suspect.

Still, it would be unwise to write off the ability of the Khmer Rouge to cause trouble after a Vietnamese pull-out. The best way of neutralizing them would be to cut their supply lines from Thailand by halting outside aid, denying them sanctuary and withdrawing the international legitimacy they have at present as part of the resistance coalition that occupies Cambodia's seat at the United Nations.

The writer, a frequent visitor to Cambodia, is senior lecturer in history at the University of Wollongong, New South Wales, and author of "How Pol Pot Came to Power." He contributed this comment to the International Herald Tribune.

## Along the Border, Looking for Pol Pot

By James Pringle

T RAT, Southeast Thailand — "You are looking for Pol Pot?" asked one Thai soldier in a parked jeep. "Then you have come to the right place."

He turned and pointed up a dirt track leading to a cluster of huts in the forest. Thirty meters further on, other Thai soldiers wearing helmets and carrying M-16 rifles waited a roadblock. "Unfortunately, I don't have the power to admit you," the soldier in the jeep said. "You will need permission from headquarters." Approval was of course not granted.

Other Thai soldiers guarding the entrance to the village partly hidden by jungle about 20 kilometers from Trat, capital of the southeastern province of the same name, said they had seen Khmer Rouge leaders, including Pol Pot, visiting the camp in recent years. The owner of a local restaurant and a monk in an old wooden pagoda gave similar accounts.

More than a decade after Vietnam's invasion of Cambodia forced Khmer Rouge leaders into Thailand, Pol Pot, now aged 64, remains a shadowy figure even though he ranks with Hitler and Stalin in the demography of the 20th century. As many as a million Cambodians died of sickness, starvation or execution when the Khmer Rouge, under Pol Pot's leadership, ruled Cambodia from 1975 to 1979.

Apart from these reported sightings near the Cambodian border in Trat province, he was last seen by outsiders in the early 1980s, at the time the Coalition Government of Democratic Kampuchea was formed by the Khmer Rouge and two non-

Communist groups. Aides to Prince Norodom Sihanouk, president of the coalition, said they saw Pol Pot riding off into the forest atop an elephant at another part of the frontier.

One reason Pol Pot has been so elusive is the nature of the border zone. It is a region of forest-covered hills and bumpy, labyrinthine tracks. It is not hard to conceal an army here, especially in the thick jungle where the main Khmer Rouge command camps are located.

A second reason is that Task Force 838, the Thai unit charged with supervising the Khmer Rouge, is one of the most professional in the Thai army. A third reason is the secretive nature of the Khmer Rouge. "You don't do doorstop Pol Pot" for interviews, said a Western diplomat who frequently visits the border from Bangkok.

The Khmer Rouge has no permanent headquarters. Pol Pot moves around, usually at night, in vehicles with dark tinted windows, escorted by Task Force 838 guards. Sometimes he is on the border conferring with Khmer Rouge military leaders. At other times he is on one of the many islands in the Gulf of Thailand where the Khmer Rouge command maintains logistic bases for supplies coming from China. Occasionally he has visited a safe house maintained for Khmer Rouge leaders in Bangkok and a heavily guarded beach house at Bang Saen, southeast of the capital on the Gulf of Thailand.

Pol Pot also makes periodic visits to China for consultations and to receive medical treatment. Khmer Rouge defectors say he is generally in robust health but suffers from intermittent bouts of malaria and from hemorrhoids. Thai informants say he has been in China for the past four months, an unusually long stay for which they have no explanation, although some Western officials believe that Beijing may be keeping him out of circulation to give credence to Khmer Rouge claims that they should be an integral part of any political settlement of the Cambodian conflict.

Pol Pot officially "withdrew" in 1985 as political leader and military commander in chief of the Khmer Rouge when he reached 60. He was reported to have taken up a post as director of a "Higher Institute for National Defense." The Khmer Rouge radio said on Monday that he had resigned as head of the institute and would quit politics if Vietnamese troops leave Cambodia.

However, most diplomats in Bangkok doubt that there has been a fundamental change in Khmer Rouge ideology. Khien Samphan, projected as a more "moderate" leader, was said to have replaced Pol Pot some years ago to give a more acceptable face to the Khmer Rouge. But Sen Sen, the organization's defense minister, recently told a foreign acquaintance, "Pol Pot is still our leader."

The writer, a frequent visitor to Thailand and Cambodia, is a former Newsweek staff correspondent in China and Southeast Asia. He contributed this to the International Herald Tribune.

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### 100, 75 AND 50 YEARS AGO

#### 1889: Russifying Baltics

LONDON — The czar has been quoted as saying that in the policy of the complete Russification of the Baltic provinces there must be no step backward. There will be no pause in this work until, as we are informed, all things German are destroyed.

#### 1914: Rostand's Reply

PARIS — M. Edmond Rostand, the author of "L'Aiglon," in view of the fact that Mme. Sarah Bernhardt has applied for an injunction to prevent that play in which she takes the leading role at her theatre, from being shown on a cinematograph film, yesterday [June 5] telegraphed the following letter to her counsel: "I have the honor to inform you that I would rather cut off my hand than go to law with Mme. Sarah Bernhardt. You therefore plead alone... I abandon to her my entire rights in the cinematographic reproductions, and I embrace with respect and gratitude her fingers,

## Open Skies: More Than A Slogan

By Joe Clark

The writer is Canada's secretary of state for external affairs.

OTTAWA — President George Bush's call for a new, enlarged "open skies" arrangement displays imagination. The value of this initiative was recognized by the endorsement it received at the NATO summit meeting. Arms control verification from satellites alone is not adequate to the tasks ahead. Canada therefore supports the call for open skies, which would open all national airspace to surveillance by unarmed aircraft.

Aircraft surveillance would make it harder to hide military movements or noncompliance with arms control agreements. Aircraft can see more than satellites can. They fly lower. They can get around or below clouds and observe from different angles. Satellites pass in fixed orbits, at predictable times, so suspect activity can be thoroughly hidden. Short-notice overflights would complicate this kind of masking significantly, and could make it impossible.

Should a satellite see something significant, its ability to take another look is constrained by its orbit time. Open skies could allow an early second look from aircraft.

Open skies would provide the ability to monitor ongoing activities such as weapons destruction, withdrawals or troop movements. Unlike a satellite, which passes in a matter of minutes, an aircraft can circle over an area for hours.

If secrecy breeds suspicion, open skies builds confidence. Nations have no choice about satellite surveillance: They can't stop it, so they accept it.

An open skies agreement would be a positive political act of opening a country's activities to detailed, intrusive monitoring — a symbolic opening of the doors. It could be a clear, unequivocal gesture that a country's intentions are not aggressive.

Open skies would let all members of NATO and the Warsaw Pact participate fully in arms control verification and monitoring.

The rapid pace of negotiations for the conventional arms control agreement proposed by President Bush and endorsed at the NATO summit meeting adds to the importance of open skies. Since open skies is a straightforward concept, it can be easily and readily available to assist in verification as soon as an agreement is reached.

Only large countries have satellites in the skies. Yet if we are to have conventional arms control in Europe it is essential that all parties to the agreement have the ability to assure their publics, on the basis of their own judgments, that these agreements are being adhered to, and that their security is intact.

It is not politically acceptable to rely solely on the goodwill and judgment of another country. The United States would not do this, and open skies demonstrates that it does not expect its allies to do so.

Open skies would bring gloss to the public discussion of arms control compliance. The debate over the Krasnoyarsk radar in the Soviet Union went on for years before anyone was able to publish photographs of the installation. For national security reasons, governments do not publish satellite photos.

That rule need not apply to the results of aerial surveillance — especially not to photographs taken by low-flying aircraft. The availability of this kind of evidence could only enhance the public discussion of the Warsaw Pact's military activity and of arms control compliance.

Monitoring would become more reliable. It would no longer be subject to the vagaries of satellite failure. Under the current system, it can be years before a capability is replaced if a satellite fails before schedule.

The verification of a conventional arms control agreement, especially if defenses are to be greatly reduced, will require continuous monitoring to prevent a rapid military build-up and to maintain confidence that a surprise attack is not being planned. If we remain subject to significant periods during which our monitoring capability is impaired, our confidence in these agreements will diminish.

By his actions, Mikhail Gorbachev has demonstrated his commitment to improve East-West relations. He has offered to do more and has put forward a wide array of proposals that will further change the relationship. President Bush has wisely asked him to create the conditions that will enable us to move ahead together without risking the security of NATO and the Warsaw Pact.

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## OPINION

## Failed Regimes Open the Way to Civil War

By William Safire

WASHINGTON—Undemocratic regimes everywhere are facing the prospect of civil war.

In China, the massacre of the students was the death knell of the regime. The demonstrators' goal was not to win a few trappings of democracy from the corrupt gerontocracy, but to instill the dangerous spirit of freedom in a billion Chinese. The purpose of the original hunger strike was to create a handful of martyrs around which to rally a movement.

When Deng Xiaoping's regime was unable to get local army units to move against the demonstrators, it appeared that the Communist leadership's mild reaction was not so much indecisive as cunning: The young demonstrators, allowed to stew in their own juices, would be defeated by boredom. They would go home in dribs and drabs, denied martyrdom.

Mr. Deng's delayed reaction, however, was not dictated by shrewdness but by the need to organize brutality. He slipped out of Beijing, met with the seven army commanders and out-Maoed Mao Zedong by winning the agreement of six to teach the students a bloody lesson: Communist power comes out of the barrel of a gun.

The Tiananmen massacre established order, all right. It also established a national underground determined to overthrow that order. Idealism alone is repressible, but idealism allied with a passion for vengeance creates a gun barrel all its own.

Counterrevolution—civil war—is under way, and may take years or Mr. Deng's death to prevail, but today's student-killers will one day be replaced by today's heroes. That is why

the thousands of bloodied students are the victors of the massacre; June 3 will be the next democratic government's national holiday.

Civil war is also possible in Iran, after the death of the old man who turned back the clock by a millennium.

We do not know the dynamics of Persian dissent. Perhaps the world will see a falling-out between the ayatollah's most fanatic followers and the long-vanished moderate mullahs; or perhaps the defeated military and the repressed secular middle class will conspire with exiles to move against the fundamentalists.

However the split occurs, the likelihood of a peaceful and parliamentary resolution of differences is remote. A great fault line runs through Iranian society; now that the transition with a charismatic leader is past, it is only a question of time before the earthquake.

That brings us to the threat of civil strife in a third country: the war that may or may not break out in and around the Soviet Union. The political struggle is already under way, and has so far been peaceful.

When repression does turn violent, as in the gassing of Georgian nationalists in Tbilisi, it is disavowed by Moscow. When republics conflict and old nationalities bicker appear—as happened when Uzbeks rioted against Meskhetians in Uzbekistan last week—trouble is put down bloody but out of camera range.

The civil struggle has been to transfer power from an inefficient party to an anti-ideological leader. Its success lies in the genius of Mikhail Gorbachev

to subject himself to criticism as he makes subjects of his critics. But how will the new above-party power structure manage the intensified yearning for independence in its European satellites? How will it handle demands for sovereignty in the illegally annexed Baltic States? And how will it later respond to anti-Russian demonstrations sure to come in the vital Ukraine, which would be the beginning of the Soviet disunion?

What we have seen in China this past week, and are likely to see in Tehran before long, suggests that the Russian leader will probably revert to totalitarian type. In the end, he—or the man hastily put in to replace him—will call out the army to teach the demonstrators a brutal lesson, as Mr. Deng has done, as the czars used to do.

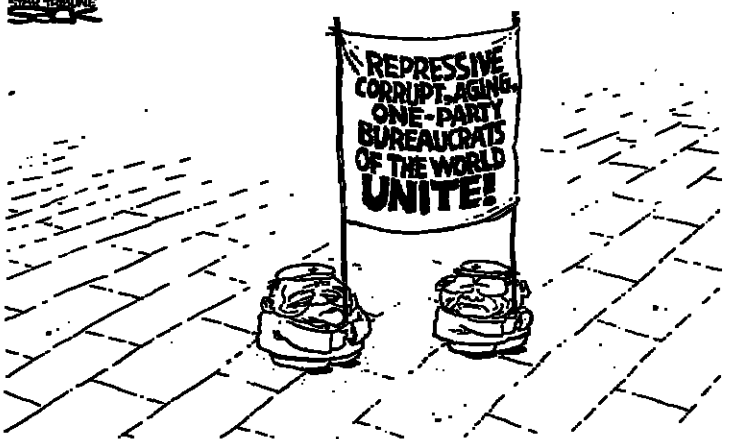
We can hope that Mr. Gorbachev

uses his burgeoning power to set free the nations whose people want freedom, and then returns his own power to his own people. Maybe—for the first time—freedom will gently evolve.

But history teaches that empires do not break up voluntarily; dictators never dictate freedom; totalitarian states do not overthrow themselves. On occasion—the Shah of Iran, Ferdinand Marcos of the Philippines—the strongman cannot bring himself to order troops to kill the people, but few dictators are so squeamish.

No outsider wants to sound incendiary, but the sad truth is that the tree of liberty is indeed nourished by patriot blood. The thousands of brave young Chinese who were killed this past week-end did not, in Lincoln's phrase, die in vain; their sacrifice will lead their people out of Communist bondage.

The New York Times



## Home to a Smug, Scared America

By Stanley Meisler

WASHINGTON—You can hear the moments of boredom tick away whenever you tell Americans that no other industrialized democracy has the same dispiriting problems as the United States—not the crime, not the guns, not the homelessness, not the unschooled, not the poor, not the racism, not the ugliness. Listeners may mimic brief interest before their glances roll away. They may not doubt me but, content in smugness, they don't care.

After 21 years as a foreign correspondent, I returned home late last year to a country bristling with astonishing problems, most left untended. Many Americans persist in believing that their country has a divine mission on Earth as a model for all others. Yet ignorance about the world seems total.

Our son set off for high school the other day in a T-shirt emblazoned with a bust of Lenin. I jokingly warned him to be careful. "Don't worry," he said, "no one at school knows who he is."

Few if any people can boast as much democracy and energy as Americans. These are wondrous gifts that foreigners can hardly fathom. Yet I often wonder now to what purposes they are put.

Fear of crime quickly makes a returning American feel the reality of home. On one winter night I walked across five dim, deserted Washington blocks wondering whether it might have been wiser to take a cab. There is no such fear in most European and Canadian cities.

Americans, of course, are not oblivious to crime. They fume about it. But many seem oblivious to the problems of poverty, education, unemployment, racism and inequality that spawn it. There are ever more cries for vengeance and draconian punishment, even though the United States already has one of the largest prison populations in the world.

the Bronx using the same needle and being criminalized and brutalized," he said, his words steeled in anger. "We used to send people to the United States to see how to do things. Now people go to New York to see how not to run things. Let them die. The number of times I've heard that in this country. Let them die. It's incredible."

I took his words down, having occasionally felt the same kind of anger back home in America. The first images that had struck me on my return, however, provoked only a troubling puzzlement. I saw an abundance that would astound the rest of the world and then an ugliness that might astound it just as much.

The cornucopia on a U.S. supermarket shelf numbs the sense of choice. A shopper searching for Italian salad dressing must now decide whether he wants creamy, zesty, robust or regular. Even bagels come in ten flavors.

This abundance comes in enormities of shopping malls that proliferate around cities like pillboxes on guard against style and beauty. Such clusters of concrete existed two decades ago but never in such size and strength. They symbolize the sprawl and flight that make our spiritless cities so different from the vibrant towns of Europe.

No memory prepared me for the awfulness of American television commercials—almost every measure loud, every scene frenzied. Any touch of subtlety vanishes with constant repetition. Only a masochist would sit through them with pleasure, which is the way many people watch commercials in Paris. Sophisticates regard commercials in France as works of art; the best known French movie directors make some of them.

No memory prepared me for the mindlessness of the 1988 presidential campaign. I had just covered the French presidential campaign, in which the televised debate was sharp and meaningful, campaign speeches were long and thoughtful, differences between candidates were clear and philosophical. France allows no political spots on television. Campaign managers do not mold strategy around sound bites.

In 1988, French analysts kept moaning about "Americanization" of their elections, meaning a decline of substance in favor of image. But a few weeks into the American campaign it was clear that the

French need not have worried; they were far, far behind the American model.

Television has created a vacuum in American public life. Soon after arrival in Washington, I was entangled in several misunderstandings. While I thought I was arranging lengthy interviews with officials, they assumed that I was setting up quick phone calls to catch pithy quotes.

"You are an anachronism in American journalism," said Marvin Kalb over dinner one night. "You actually want to interview somebody."

I have felt anguish about the irrefutable evidence of deterioration. Surveys rank American schoolchildren at the bottom in mathematics when tested against Koreans, Canadians, Spaniards, Britons and Irish. Studies show that the United States now has the 18th worst infant mortality rate in the world. Such reports make me feel I have returned to an America that feels good about itself and helpless before the scourges that master it.

Experience overseas taught me that no other people have the same control over their destiny as Americans. American democracy allows the people more rights than any other political system, and more input, either through the power of public opinion or Congress, into government. In no other country could a legislature have denied a leader the choice of a secretary of defense the way the Senate rejected President George Bush's nomination of John Tower. In no other country could a peaceful expression of public opinion have denied Congress a pay raise the way it was denied here earlier this year.

Yet the despairing problems of America are neglected because Americans do not feel the need to face them. Bribed by tax cuts and soothed by the reassurances of the Reagan years, they feel no urgency, content to accept the argument that "budget restraints" make it impossible to do anything—at least now. The fact that Western Europe and Canada manage their problems by imposing higher taxes and spending heavily does not seem to impress anyone.

Perhaps the problem is leadership. Leaders of most industrial democracies have a breadth of intellect and experience, a moral strength and commitment to reason that often seems lacking here. Perhaps the very power of our people undercuts leadership. U.S. leaders have to cater to the tastes and whims of the masses in ways that leaders in countries like France and Britain do not.

The difference in leadership is hard to explain. Since my return, only one politician has truly impressed me: George J. Mitchell of Maine, the Democratic leader in the Senate.

Senator Mitchell breakfasted with reporters one morning and replied to all questions with impeccable logic, pertinent evidence, thoughtful analysis and reasonable conclusions. I had not heard political discourse like that since leaving Paris. After the breakfast, I told everyone that Mr. Mitchell sounded just like a French politician. I meant it as a compliment, but no one understood.

The writer, now based in Washington, was the Paris correspondent of the Los Angeles Times from 1983 to 1988.

## LETTERS TO THE EDITOR

## Lebanon: Test for the UN

Regarding "After the Arab Summit, Lebanon's Future Looks Even Worse" (Opinion, June 2):

The conspicuous absence from the deadly accurate Lebanese equations propounded by John K. Cooley in the United Nations. Lebanon is the acid test for the world organization. There are signs that the superpowers are coordinating their Lebanon policies, but they must carry the world with them by acting through the Security Council.

BERNARD NOBLE  
The Hague.

In response to "Assad: Kibitzing on Syria's Grand Master" (May 19):

The survival of the Syrian regime depends on its ability to keep alive the constant menace of a powerful enemy at its borders, namely Israel. I am not certain that an overall regional peace settlement, let alone peace in Lebanon, would serve the interests of Syria's oligarchy.

ANTOINETTE BASSILA  
Paris.

## A Communist Atrocity

On April 13 you published a letter from me about the Katyn massacre, and that led directly to a French television program on Katyn hosted by Frédéric Mitterrand and shown on May 5.

This month General Wojciech Jaruzelski of Poland is coming to Britain. It would be highly appropriate for him to visit the Katyn memorial unveiled on Sept. 18, 1976, at Gunnersbury Cemetery in west London. A black marble obelisk rises from white steps. The inscription in silver is unambiguous: "KATYN 1940."

LOUIS FITZGIBBON  
Brighton, England.

## More Than Tin Soldiers

Regarding the report "Swiss Voters to Decide Fate of Army That Last Saw Action in 1812" (May 2):

The Swiss army was only indirectly involved in armed conflict in 1812, but it was intermittently called up in 1815, 1847, 1856 and 1870-71 and in the two

world wars, when it had to secure Switzerland's borders.

In World War I it proved to be a stabilizing factor, as both sides were secure in the knowledge that neither would launch a sneak attack from the southern flank of Switzerland. And in World War II it prevented the Germans from invading, as a study of Nazi war plans proves today.

If Switzerland, at the crossroads of Europe, disarmed unilaterally, this would create a military vacuum along the continent's north-south corridor.

HANS-RUDOLF MEIER  
Wädenswil, Switzerland.

## A Bomb Is Ticking

Regarding "U.K. and France Fear Toxic Channel Pollution" (March 22):

When a container of 100 casks of the lethal insecticide lindane was lost when a cargo ship sank in the Channel on March 13, a newscaster here in France asked: "What, after all, would this do to the fish in the North Sea?" Should he not also have asked what the insecticide

would have done to our land and water if the container had washed ashore?

ROBERT SCHEIBER  
Paris.

## Boxers Deserve No Praise

The unqualified adulation shown for boxers like the late Sugar Ray Robinson, as first in an April 14 commentary in your sports pages and then in Herbert Johnson's letter to the editor on May 17, is an endless source of amazement.

The truth is that, no matter how articulate or charming they are outside the ring and how much they devote themselves to charitable causes, boxers deserve no more adulation than the Mafia enforcer who says, "Show me the man, give me the money and I'll hurt him."

Unlike the true professional athlete the boxer simply hurts people for a living. I am gratified, I suppose, that Mr. Robinson devoted himself to underprivileged children. It was at least some reparation for the trail of damaged brains his many knockouts left behind.

KENNETH J. RUMMENIE  
St. Quentin, France.

## Food Without the Fun

Regarding "Calcium: She Explained (It Looked Like Broccoli)" (Mealtime, May 23) by Ellen Goodman:

As an American, I have experienced quite a culture shock seeing how the Dutch people around me have been socially conditioned to get about as much pleasure out of dining as from tanking up at the gas station.

Now that, according to Ellen Goodman, America appears to be moving in this direction, we might ask whether today's fashionably trim and healthy Dutch person, forcing down a slice of whole wheat bread with a transparent slice of cheese on it, is better off than his fashionably plump ancestors.

British studies have indicated that the heavier a person is (within reasonable limits) relative to his or her height and frame type, the greater the sense of well-being. In addition, one's sleeping patterns appear to be more sound, perhaps as a result of this contentment.

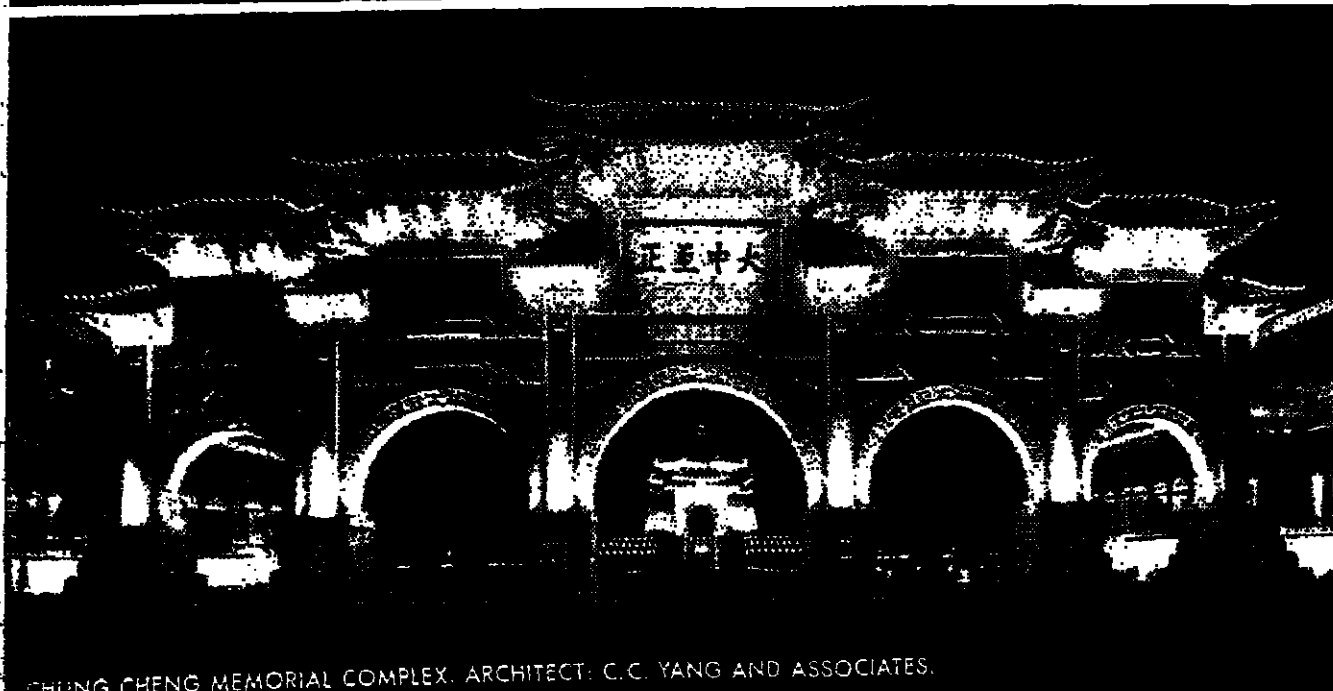
FRANK HEYNICK  
Groningen, Netherlands.

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# East/West Trade | Perestroika in the 1990s

Policy / Investments and Joint Ventures

## Making Cooperative Deals Across Political Borders

In much the way that it has approached arms control, the Soviet Union, joined by some of its East European allies, continues to devise unprecedented laws, plans and policies designed to attract Western foreign investment and trade. But just as Soviet disarmament proposals sometimes confound NATO, the open economic policy in the East has provoked mixed responses from the West.

Trade missions by Western politicians and businessmen, and a flood of new credit lines to the Soviets organized by European banks, have created the appearance of a new era of economic cooperation. But talk by some West European industrialists of a "Marshall Plan" to revitalize the East is seen as indicating more interest in developing Western exports than Eastern economies. "The Marshall Plan idea is not going anywhere," says Jan Vanous, research director for PlanEcon, an American research group specializing in Soviet and East European economies.

On the surface, talk of foreign investment is proceeding vigorously, and some of the proposed arrangements are impressive. Alcatel, France's largest telecommunications company, says it expects to conclude an agreement soon — estimated to be worth \$1 billion — to provide the Soviet Union with advanced digital telephone switching equipment. The equipment will initially be shipped from Belgium and later coproduced by the Soviets and Alcatel.

The West German automakers Daimler-Benz AG and Volkswagen AG are also in discussions with the Soviets, exploring the idea of making engines, buses and completed cars. Monsanto Co., the American biotechnology firm, is negotiating the details of a jointly operated biological re-

search laboratory in Moscow, hoping to tap Soviet achievements.

Overall, more than 400 joint ventures have been registered in Moscow between Soviet enterprises and foreign companies lured by the more favorable business terms of Soviet leader Mikhail Gorbachev's perestroika policies. Most joint ventures are still in the negotiation stage, but dozens are being added to the list each month.

Yet the level of Western investment in the Soviet Union remains small. The average size of the first 205 joint ventures was 1.63 million rubles (about \$2.7 million), according to PlanEcon. Only around 30 joint ventures are known to be fully operational now.

Soviet and East European imports of Western goods were sluggish in 1988, rising only about 3 percent over the preceding year, according to the United Nations Economic Commission on Europe. Given the lack of hard currency reserves — and the gap of several years before Western investments generate hard currency earnings — these unimpressive figures are not likely to grow much higher in the near future. East European exports to the West, in contrast, increased markedly last year, rising by 7 percent.

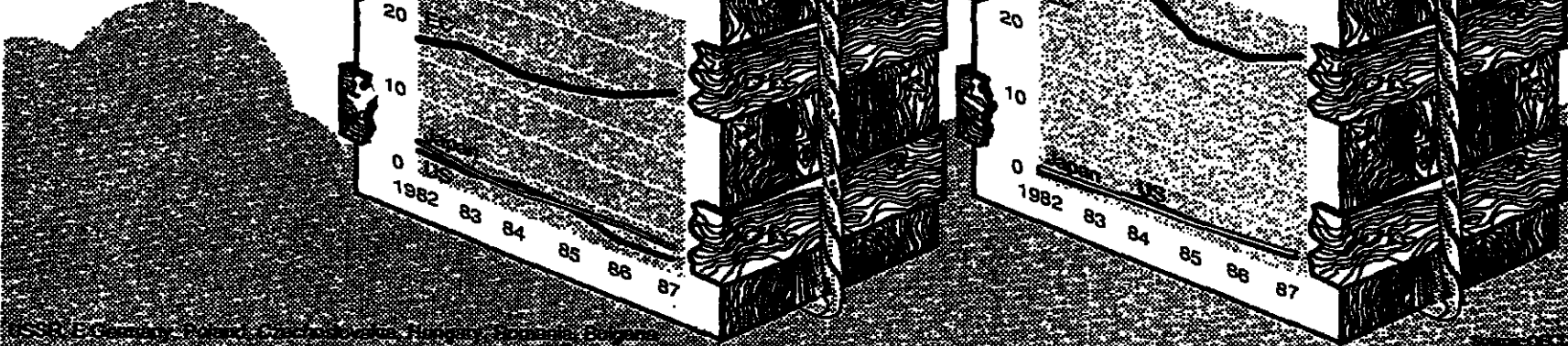
Determined not to let Western interest flag, the Soviets continue to unveil new schemes to catch the eye of foreign businesses. One of the latest Soviet ideas is the creation of special economic zones where Western companies could own 100 percent of a plant. The idea has yet to move beyond the draft stage, but — if approved by Soviet authorities — the zones will be tariff-free and use a special convertible currency.

Soviet imports from the West are

See Deals Page 10

### East/West exports & imports, 1982-87

East/West trade clearly is expanding, although slowly, with the EC far more active in trade with the East bloc than are the US or Japan; overall, COMECON countries export about 10 percent more to the West than they import. The East bloc's lack of hard currency reserves is still a major barrier to increasing Soviet imports from the West.



Interview / James H. Giffen, president, American Trade Consortium

## U.S./Soviet Trade: Breaking Down Barriers

James H. Giffen, president of the American Trade Consortium (a group of six U.S. companies), and president of Mercator Corp., outlined his views on the outlook for East/West trade in an interview with Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview:

**Should the West be actively helping and financing economic development in the Soviet Union?**

Yes. But we should be clear about what we mean by development. The better question would be whether Western companies should be exploring trade and business opportunities. And here I would emphasize non-strategic trade. Again, the answer is yes. You were very active in promoting

U.S./Soviet trade in the early 1970s. Why did so little trade materialize for the United States?

The overall figures are not small — about \$3 billion a year. Of that amount, just under \$2 billion is agricultural exports; it is true that only \$1 billion in trade is in non-farm sectors.

**What limited the growth of trade, in your opinion?**

There were many international political events at the time that made trade relations difficult: disputes about human rights and Afghanistan, to cite but two examples. And this led to restrictive U.S. legislation, such as the Jackson-Vanik Amendment of 1974, which tied trade with the Soviet Union to Soviet emigration policy. The

result was that two-way trade never reached its potential.

**Western Europe and Japan have traditionally been the biggest players in East/West trade. How do you explain their success, notably with regard to the Soviet Union?**

They have not been all that successful, although West Germany does about \$10 billion a year. Overall, Europe has done well, mainly because their governments acted as a tailwind to the expansion of trade, whereas ours [the U.S. government] acted as a headwind. I am speaking here of their efforts in providing government-backed credits.

**What about geography?**

There is no denying that Western European proximity to Eastern mar-

kets has played a role, as have historical relationships between Eastern and Western Europe. Also, on such important items as Soviet gas, the West Germans wanted it and were thus in a strong position.

**The Soviet Union under Gorbachev presents new opportunities, so what criteria do you believe should guide the West in approaching new joint ventures, and what sectors seem to have the most potential?**

There are three criteria: profits, profits, profits. At the top of the list of sectors, I would place food and agribusiness. I believe the United States has a great interest in developing this field, particularly concerning storage,

See Trade Page 12

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# East/West Perestroika Trade in the 1990s

U.S.S.R. / Convincing the Skeptics

## Joint Ventures: Around 400 Now Registered

The Soviet Union's shortage of hard cash has hardly dampened the eagerness of Western firms to get into this potentially vast market. New joint-venture regulations that permit 99 percent foreign ownership of Soviet businesses took effect April 1, and the total number of such operations now registered with the Soviet Ministry of Foreign Economic Affairs has jumped to around 400.

Approximately 30 joint ventures are already operational, while others that could bring significant investment to the Soviet Union are still at the "feasibility study" stage. Judging by world trends, however, 40 percent of these ventures may eventually fail, says Lev Weinberg, chairman of the Soviet Association of Joint Ventures.

Soviet and Western partners' reasons for entering a joint venture are not the same. The Soviets want to acquire new technology and increase their exports, while Western businessmen want to sell their products to a country eager for everything from computers to toothpaste. Luxury goods, for example, are sold out as soon as they hit the shelves in Moscow, even though few Soviet shop-

pers have access to the hard currency usually required for purchasing foreign products.

"One day we might be able to export 50,000 bottles of Jazz or Opium perfumes and the next day there will be nothing left," says Michel Chauvin, vice president of the International Division of Yves Saint Laurent. "Our exportation system is on standby," he adds.

There are varying views on the advantages to be gained in creating a joint venture with the Soviets. The more cynical view, says Bo Lejdstrom of International Computers Limited (ICL), "is that everyone needs a joint venture in order to stay here." Mr. Weinberg concurs that some firms are signing agreements that involve small amounts of investment in order to get their hands on scarce office space in Moscow.

Another view of joint ventures, says Mr. Lejdstrom, is that they represent a serious, longer-term commitment to the Soviet market. And, in a time when money is scarce and normal business is growing, joint ventures are a way of creating business. They also shift some of the burden of finding ways to



Bridging the East/West gap: Victor Torbenko, deputy minister, Soviet Chemical Industry Ministry (left) and Allan Gornly, managing director, John Brown.

pay for imported products to the Soviet partner, he points out. Other Western analysts suggest that, until the ruble is made fully convertible, joint ventures may be the best way of integrating the Soviet economy with the world trading system.

In the short time since the first Soviet/Western joint-venture legislation was adopted in 1987, such deals have not generated the large inflow of capital that the Soviets expected. Of 103

agreements signed by the end of September 1988, 24 were capitalized at between 100,000 to 500,000 rubles (around \$60,000 to \$300,000), and 50 percent were in the 100,000 to 500,000 ruble range. Only three—with German, Australian and Bulgarian partners—had an initial investment of more than 25 million rubles. Of these aggregate investments, the foreign share averaged 36 percent.

The liberalized regulations that took

effect in April, however, have at least begun to convince the skeptics that the Soviets are serious about creating a better investment climate. The Soviets have started to conclude investment prospecting agreements as well. Some of the key provisions of the new joint-venture rules are the following:

- a foreign national can be chairman or general director;
- the parties have freedom to decide issues of employment and firing, as well as rates of pay, bonuses and incentive schemes;
- reduction of duties on goods imported for use in the production process;
- payment for housing and other services for foreign personnel can be made in rubles;
- reduction of the 20 percent tax on exported profits for enterprises in key economic sectors and in Asia.

Firms with long experience of the Soviet market have probably got the jump on their competitors when it comes to finding a Soviet partner and signing an agreement. John Brown has been doing business with Russia for 150 years and is one of the first firms to start a joint venture in petrochemical production: Acetko.

Acetko's Moscow representative, Gerald Preskey, spent 18 months negotiating to get the 90 percent foreign-owned company off the ground. Now, he says, he gets phone calls every week from Japanese competitors who want to know how he did it. The Soviet partners include the London-based Moscow Narodny Bank; other major

Western partners are Union Carbide and the Morgan Grenfell Bank.

Acetko's first contract is for the modernization of polythene production at Stavropolpolymer's Budennovsk plant, built by John Brown in 1976. As payment for its hard currency input, it will receive half the polythene produced, which will be marketed through the Union Carbide network. Although not on the scale of the planned \$6 billion petrochemical venture being studied by Occidental Petroleum, Marubeni and Montedison, Acetko now has around \$330 million invested.

"Businessmen who come here have to understand that our market is difficult, but has perspective," Mr. Weinberg cautions. The "valuata" or hard-currency problem is perhaps the biggest stumbling block that Western partners face. The Soviets have drawn up a list of 14 items that partners can buy with their ruble profits and then sell in the West for hard currency. But this is not always easy—the pricing may be too high, or the products may be things the Soviets have not been able to sell themselves.

Some ventures cover their hard-currency costs by selling at a split price, only part of which is in rubles. And in many agreements, there is a loose understanding that once the product matches Western quality standards, a portion of output will be marketed in third countries.

Sophie Quinn-Judge

## Policy / Investments and Joint Ventures

### Making Deals Across Borders

Continued from Page 9

expected to rise as the result of a recent decision by authorities to boost purchases of foreign consumer products. Soviet deputy trade minister Suren Sarukhanov said that the government is using an emergency foreign currency fund—equivalent to about \$3 billion—to buy such items as soap powder, razors and women's shoes. Plan-Econ's Mr. Vavonov believes that Soviet trade with the West has been on the rise for several years, while dependence on the socialist countries has stagnated.

Outside the Soviet Union, businesses are finding the most favorable joint-venture conditions in Poland and Hungary. "If I were going to invest in the East, I wouldn't go to the Soviet Union," says Mark L. Raczynski, vice president of the International Planning and Analysis Center, a consulting group in Washington D.C. "I'd become a Comcon company, a socialist brother, and establish a back door to the Soviet Union," he adds. Mr. Raczynski recommends that companies locate in Poland or Hungary, where they can import raw materials from the U.S.S.R. and convert them into finished or semi-finished products.

Hungary has probably gone the farthest of all the Eastern bloc countries in experimenting with free-market policies. Close to 200 joint ventures are operating there, the largest number in the Eastern bloc, and the country is currently considering more far-reaching changes in socialist orthodoxy. A senior government committee recently proposed that state-owned companies be sold off to private Hungarian and foreign owners and that the firms be made convertible.

The advantages for Westerners of operating in the Soviet Union are clear: labor is relatively cheap, the work force is sophisticated, and the market for products is huge. Making a deal, however, is not easy.

Perestroika has led to constant shake-ups in the Soviet bureaucratic structure that have resulted in abrupt changes in negotiating partners. In addition, "Soviet negotiators take the attitude sometimes that people are willing to go to great lengths to get their business. In a few cases that may be true, but in most it is not," says Emily Silliman, a consultant on Soviet law for the Washington firm Heron, Burchette, Ruckert and Rothwell.

Ms. Silliman, who has participated in several negotiations on behalf of the firm's clients, says the Soviets would be better off if they picked officials from successful cooperatives, instead of government bu-

reaucrats, to negotiate joint ventures.

"If you take the more honest cooperative organizations, you have a group of people who know how to find a product, organize people and resources, find a market, and make money," Ms. Silliman points out.

Soviet planners also have a tendency to go after the biggest project, no matter how unrealistic it may be. An example of this can be found in the current round of negotiations with five different sets of Western partners to expand the Soviet petrochemicals industry. The total estimated costs of the arrangements could reach \$38 billion, and there are strong disagreements between the Soviet and various Western concerns over which side should provide most of the financial guarantees.

Even if only two or three of the petrochemicals contracts are signed, however, the share of American and Japanese firms in perestroika will be boosted significantly. Until now, West Germany and other Western European firms have dominated trade and investment with the Soviet Union.

The U.S.-U.S.S.R. Trade and Economic Council, which sponsored a trade show last December in New York for Soviet products that netted over \$200 million in contracts, plans to hold an exhibition in Moscow in October for American companies. Bill Forrester, the council's acting president, says: "The idea is to reestablish the American position in the Soviet market after years of fluctuating political relations. Western Europe and Japan have been deeply committed to the Soviet market for a long time and are real competitors."

Armand Hammer, whose Occidental Petroleum Corp. managed the construction of the international trade center in Moscow in the early 1970s, said the center "is all full of Japanese now." Mr. Hammer blames U.S. government restrictions for the meager amount of U.S./Soviet trade.

Limitations on East/West economic relations are advocated not only by Americans these days, however. An April report to the Trilateral Commission by former Japanese Prime Minister Yasuhiro Nakasone, former French President Valéry Giscard d'Estaing and former U.S. Secretary of State Henry Kissinger states: "Obviously, the U.S.S.R. does not qualify for the kind of concessionary terms that are appropriate in the Third World. Western credits and transfer of technology are no substitute for adequate economic policies, for rational reforms and a national effort."

Steve Dryden

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# East/West Trade Perestroika in the 1990s

Soviet Finance / Price and Currency Reforms

## Banking Sector: Cautious East/West Overtures

When East goes West and West goes East, the train tend to meet in bankers' offices. Western companies trying to market goods in the U.S.S.R., Polish officials trying to put more food in their country's shops or Hungarians exporting wares produced from joint ventures all have one problem in common: financing the operation.

Lately, the Soviet Union is the player who has most captured the financial world's imagination. Its goals of price reforms and a convertible currency are underpinned by major changes in the Soviet banking system—changes with a ripple effect throughout the international financial community.

In January 1988, the Bank for Foreign Economic Affairs of the U.S.S.R. (Vneshekonombank) sought new creditors by entering the bond market for the first time since the 1917 revolution; its only foreign branch, in Zurich, launched a \$100 million (\$57.8 million) bond. A second bond issue, for DM500 million (\$259 million), was made in July by the bank's head office.

Last autumn, Frankfurt and London were abuzz with talk of new trade possibilities as the U.S.S.R. and Western European banks negotiated new credit lines. The biggest, for DM3 billion, aims to finance German exports to the Soviet consumer-goods and food industries. It was notable because it involved no government export credit agency, underlining a trend toward unguaranteed bank loans. In 1982, 67 percent of Soviet debt was guaranteed by Western governments, but by 1987 the share had dropped to 34 percent. A package by British banks that would have had government backing foundered, but several private agreements went ahead. Meanwhile, an Italian government-guaranteed credit for ECU680 billion (\$635 billion) went through. Meanwhile, general manager Campbell Dunford at Moscow Narodny, a London private bank whose major share holder is the Soviet government, told Euromoney magazine last September that he believes the Euro-markets will see much more Soviet activity.

It is not just the Soviet government that is on the move: in a little over a year, Soviet customers of the bank have grown from under a hundred to several thousand. Any Soviet organization with hard currency now has the right to deal directly with foreign companies rather than funnel all deals through the Ministry for Foreign Trade.

In September, Moscow Narodny became a member of the London Bullion Market Association, a move that Western bankers saw as a signal that Moscow plans to carry on building its activity in the gold market. The new approach by the Soviet Union to raising money abroad in order to finance imports springs from a series of reforms at home. Key among these:

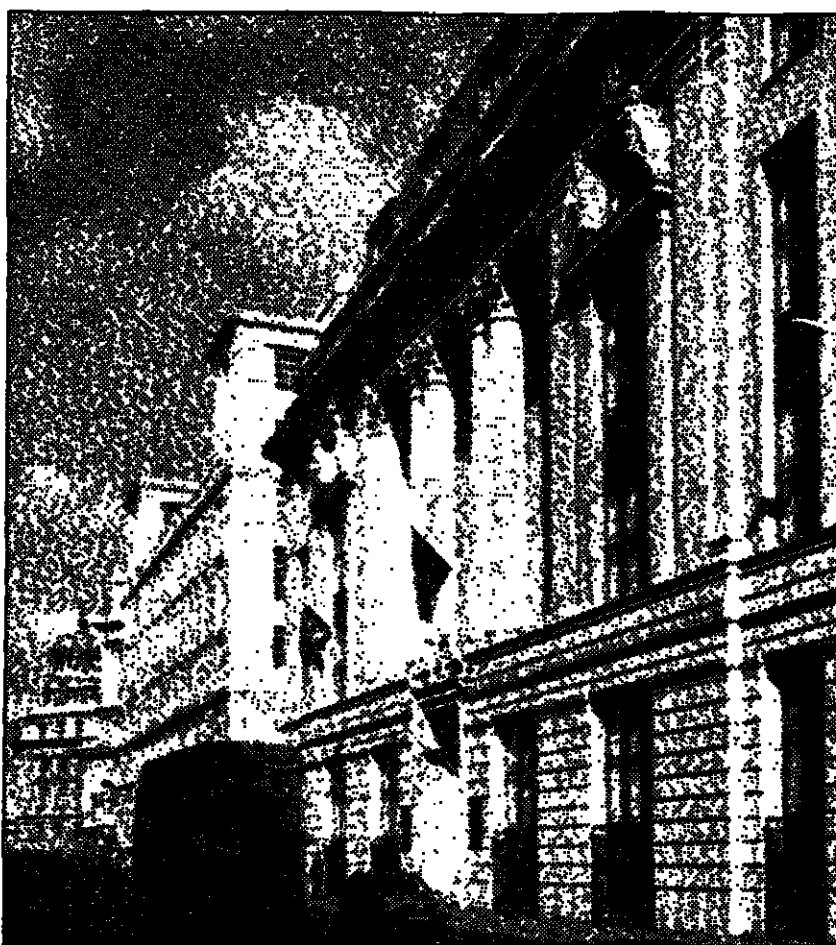
- The Cooperatives Act of 1988. From July 1987 to July 1988, the output of some 30,000 cooperatives grew from 30 million rubles to over one billion rubles (\$1.7 million), according to government data.

- The 1987 Law on Enterprises. About 60 percent of Soviet industrial firms last year operated as self-financing companies and used an independent accounting system. Companies can keep part of export earnings.

- The January, 1987, revised legislation for joint ventures.

- Bank reforms. The grandfather of the system, Gosbank, had a monopoly until this year, but it was recently divided into six specialized banks. One, Vneshekonombank, was given responsibility for the Soviet balance of payments as well as control over foreign borrowing and foreign exchange; the new Gosbank looks more like a Western central bank.

Other changes are under way. Credit cards are gradually being introduced, and in early May, Pravda reported details of an upcoming auction for foreign currency, the first small step toward making the ruble a convertible currency. The U.S.S.R. has also informally sounded out the possibility of joining the International Monetary Fund, of which Poland and Hungary—who instituted economic reforms early—are already members.



Moscow Narodny bank, London.

Bank loans and the Eurobond market were virtually the only vehicles used by East-bloc countries until two years ago. Today, finance is more innovative. A Swiss banker sees a hopeful sign in recent negotiations during which currency baskets to finance Soviet trade were discussed.

One German banker says, "You now see them doing not just foreign exchange, but also swaps, interest-rate futures—trying to use several forms of finance. And they seem to have more freedom to move—the Zurich branch of Vneshekonombank, for example, is active in areas its Moscow head office will not yet try."

Europeans are by far the most active in the East/West banking game, doing the bulk of both trade financing and sovereign lending. Japan's share is growing, while that of the U.S. is shrinking. Within Western Europe, the picture varies. The East bloc is big banking business for Finland because 20 percent of its exports go there.



Joint Declaration / Framework for Cooperation

## EC/CMEA Agreements: Opening Business Doors

At first sight, the mutual recognition agreement signed in Luxembourg on June 25, 1988, between the EC and the Council for Mutual Economic Assistance (CMEA) is somewhat disappointing. After all, the two sides merely agree to "establish official relations with each other" and to "develop cooperation."

But as John Maslen, the official responsible for EC relations with state trading countries, told a recent Club de Bruxelles conference on East/West trade relations, the declaration is "a key to open doors," and Marin Marinor, CMEA deputy secretary general, described the declaration as "a major factor in economic growth and progress."

For EC firms trading with East-bloc countries, the joint declaration marks a turning point because it establishes a framework for bilateral trade and cooperation agreements. Pablo Benavides of the European Commission cautions, however, that the agreements "should not be seen as a panacea, but as an important confidence-building tool."

EC/CMEA trade and cooperation agreements that have already been signed include a wide-ranging one between the EC and Hungary (January 1, 1989), and a slightly less ambitious trade agreement with Czechoslovakia (April 1). A similar agreement with Poland, due to be signed in late June, is likely to reward recent economic and political reforms with more generous terms than originally envisaged. Negotiations are now well advanced with Bulgaria.

The only blot on the horizon is Romania. EC Foreign Ministers agreed on April 24 to freeze talks with Romania because of the country's failure to meet its human rights obligations under the Helsinki Final Act.

When negotiating the bilateral agreements with CMEA countries, the Commission takes into account the advice of bodies such as the European Council of Chemical Industry Federations (CECIC) concerning problems their members have confronted in setting up joint ventures.

David Bricknell, head of CECIC's external trade department, says: "When

trying to do business in Eastern Europe, EC companies encounter a series of practical problems. Basic requirements such as the right to hire local employees, pay them a proper wage in line with their qualifications and efficiency and operate a promotional scale, access to reliable communications, the use of a car, freedom to travel and meeting with contacts can all pose very serious problems."

One of the major shortcomings of the EC agreements with CMEA countries is that they can do little to tackle what are seen by Max Likin, of the Brussels-based East/West trade consultants Nashco, as the two major hindrances to commercial relations: the lack of convertibility of CMEA countries' currencies and the restrictions placed by COCOM on trade "sensitive" technology.

He adds: "Although the new U.S.S.R. law introduced on April 1 allows Soviet firms to trade directly with foreign firms, they still have to finance any purchases from abroad with their own exports and must get the approval of the Foreign Trade Bank for all hard-currency transactions." Another very serious problem that cannot be tackled directly in the framework of the EC agreements with CMEA countries is the heavy indebtedness of many East-bloc countries, which, according to CECIC's Mr. Bricknell, "often cannot generate enough hard currency to pay the interest on their loans, let alone pay for imports."

Ironically, the process of perestroika has in many cases hindered business with CMEA countries. Mr. Bricknell explains that "previously, procedures were long and complicated, but at least companies knew whom they had to deal with. Now, EC companies have to seek out new decision-makers, who often do not know the full extent of their powers themselves."

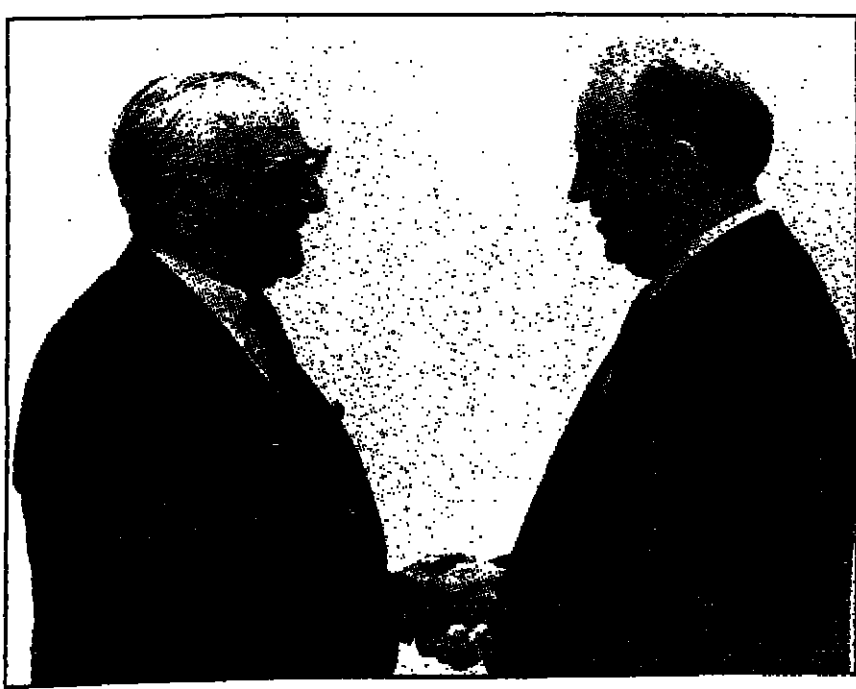
Despite the difficulties, Western industry leaders are confident about the future. Mr. Likin says: "It can take years to get your first contract, but when you do, the size of the market is so stupendous that it's worth the effort."

Jonathan Todd

Ellen Wallace

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# East/West Trade Perestroika in the 1990s

Restrictions / Sensitive High Technology

## U.S. Policy Cautious On Trade with Soviets

Washington is selectively easing restrictions on East/West trade, even concerning high-technology sales to the Soviets. Yet the overall Bush administration position toward Mikhail Gorbachev's radical policy changes remains cautious, and American businesses are finding the Soviet market a hard sell.

In a May 29 speech in Brussels, President Bush announced that the U.S. "is prepared to change" its so-called "no-exceptions" policy banning high-technology sales to the Soviet bloc. The policy, put in place after the Soviet invasion of Afghanistan, has been enforced by the United States and its Western allies.

The administration still has a wait-and-see attitude, however. President Bush said in a speech May 12, "The Soviet Union has promised a more cooperative relationship before, only to reverse course and return to militarism. A new relationship cannot simply be declared by Moscow, or bestowed by others. It must be earned."

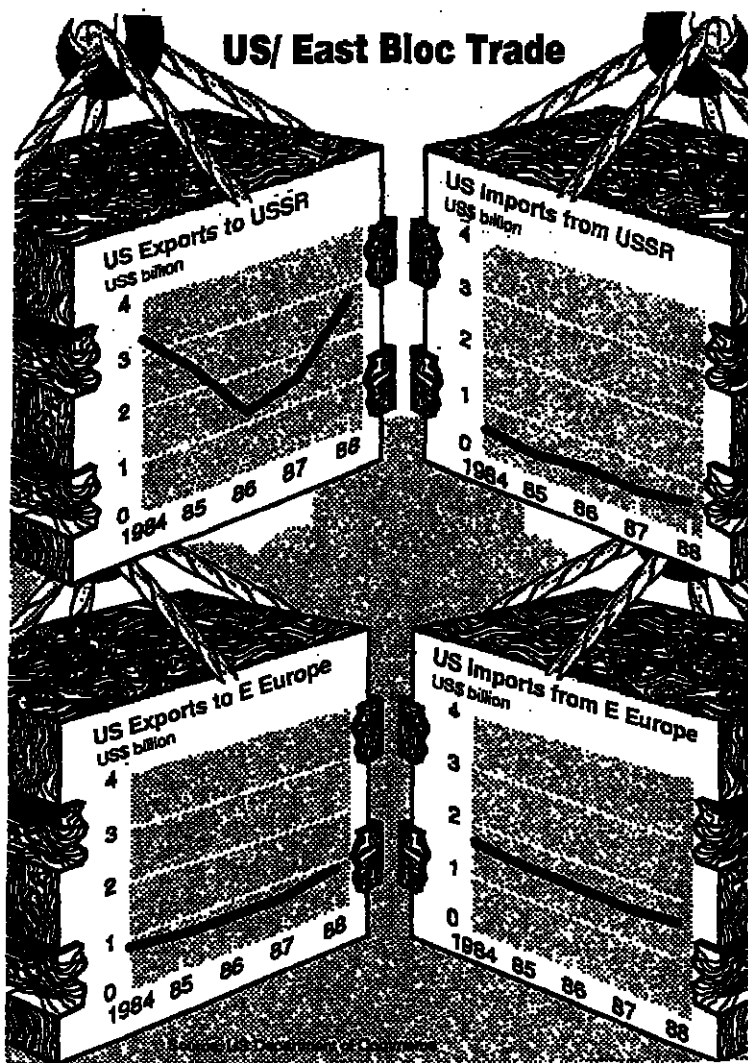
The Soviets could get better trade treatment from Washington as a result of their apparent decision to ease restrictions on the emigration of Jews. With exit levels now averaging 4,000 per month, sentiment in the American Jewish community is shifting toward support of a waiver of the

so-called Jackson-Vanik amendment, the 1974 legislation that denied Soviet products most-favored-nation (MFN) tariff status because of Moscow's controls on emigration. In his May 12 speech, President Bush said he would work with Congress to waive the amendment temporarily if the Soviet Union liberalizes its emigration laws and "implements its new laws faithfully."

Whether Soviet exports could meaningfully benefit from a granting of MFN status is uncertain, however. Some analysts point out that Soviet exports to the United States are very small even in the sectors — like chemicals, fuel and metals — that have low tariffs even without MFN status. In any case, about 80 percent of the Soviets' \$649 million in sales to the United States last year were in that category.

Yevgeniy G. Kutovoy, minister-counselor at the Soviet Embassy in Washington, acknowledges that Soviet producers have difficulties making goods that are attractive in the American market. However, he still believes Soviet marketing problems can be attributed chiefly to what he calls the "political legacy of the past" — Jackson-Vanik and strict U.S. export controls.

While the United States has eliminated the no-exceptions policy, Washington will still oppose



approval of most advanced-technology deals to the Soviets, according to Paul Freedenberg, former U.S. under secretary of

Commerce in charge of export administration. Despite U.S. restrictions, the Commerce Department gets doz-

ens of calls daily from businesses who "think their future lies in the Soviet market," as one Commerce official puts it. Mike Mears, the U.S. commercial officer at the U.S. Embassy in Moscow, reports that in 1988 he counted about 1,000 U.S. business representatives visiting the capital in search of deals, but that only 10 made sales.

U.S. exports to the Soviets, as in years past, continue to be dominated by agricultural products, which made up \$2.2 billion of the \$2.8 billion in sales made by U.S. companies to the Soviets in 1988. Another \$400 million sales were in chemicals and machinery.

Small- and medium-sized companies face particular difficulties in cracking the Soviet market, in part because the Soviets have a preference for doing things on a grand scale. The unconvertibility of the ruble complicates business deals further. Vanessa Ruiz, an attorney in Washington D.C., represented a California firm that wanted to sell personal computers in exchange for Soviet oil, which the company would then sell in the West for hard currency. While the deal was worth several million dollars, the company was unable to find a buyer for such a "small" sale. "Big companies have the edge in the Soviet Union," Ms. Ruiz says.

In making deals with East-bloc companies, it helps to have political connections. "If you want to get anything done in Russia, you have to go to the man at the top," says Armand Hammer, chairman of Occidental Petroleum Corp., whose ties with Soviet leaders go back to the Lenin era.

Steve Dryden

Interview / James H. Giffen

## U.S./Soviet Trade: Breaking Barriers

Continued from Page 9

distribution and packaging. Energy, chemicals and petrochemicals are also promising. Consumer products of all kinds, including health-care items. Transportation and automation.

What should Soviet planners be doing now to improve the chances of projects materializing?

A lot. They ought to be looking at projects in the longer term, educating their managers and paying attention to two underlying



James H. Giffen, president, American Trade Consortium.

prerequisites for succeeding: profitability and flexibility. But training managers is crucial. Many do not know how to read a balance sheet.

Joint-venture proposals with the Soviet Union are on the table, some very large, but few seem to be materializing. Why?

Mega-projects may not be the answer, because what matters is what is workable. I think we should pick out 40 or 50 of the most promising projects and make them work first, even though they may be in the medium range, and below those in the multi-billion-dollar range.

What is your reaction to the impression that the Bush Administration appears reluctant to actively support expanding U.S. trade with the Soviet Union?

I don't think that impression is right. The U.S. administration is now in the midst of fully analyzing the implications of strategic considerations for trade and is still having problems getting all its people in place in Washington. But don't mistake silence for a lack of interest or discussion. I do not exclude non-strategic trade and economic ties with the Soviet Union playing a more

prominent role in this process.

What importance do you attach to the transfer of sensitive technology to the Soviet Union, in light of the efforts by Europe and Japan to ease COCOM restrictions?

It is still a problem. And undoubtedly the United States will continue to be more restrictive than other COCOM members.

What is the outlook for the ruble?

I see the Soviets going through three stages: developing purchasing power within the Soviet Union, moving to convertibility in Eastern Europe, and then convertibility in the West. But it is difficult to predict when this might happen. Probably in the 1990s.

What products do you see the Soviets selling profitably in the West?

Gas, oil, and semifinished products related to them, such as sulphur and naphtha. Trade in commodities of this kind — energy — represents about 80 percent of their exports, and I believe it will stay that way for the foreseeable future.

What would be the result of allowing the Soviet Union into the IMF and GATT?

It would sustain economic reform and help integrate the Soviet Union into the world trading community. The U.S. turned down the Soviet request to be a GATT observer in August 1988, but I would support their request, as did the Trilateral Commission earlier this year.

Do you see Japan becoming a major economic player in East/West trade?

Japan certainly has many advantages in China, and it is possible that their trade with China will expand. Regarding the Soviet Union, I don't believe there will be a substantial expansion of trade until the dispute over the northern islands is settled.

What is your reaction to recent proposals from Soviet leaders regarding development of special economic zones?

At the moment, the areas that have been mentioned (in the Baltic and Pacific regions) are in virgin territory and costs of developing infrastructure could be considerable. The proposals sound exciting, but premature. Let's wait and see.

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## Bavaria as a Trade Partner

**T**HE Bavarian economy has been exceptionally successful during the past 40 years: a modern industrial state has emerged from the earlier agricultural economy. Bavaria's annual per capita production exceeded that of West Germany as a whole in 1987, and continues to expand.

Bavaria's economy grew by 71 percent between 1970 and 1988, compared to a 49 percent growth for West Germany as a whole during the same period. The state's current growth rate exceeds those of all other West German states, and Bavaria's gross domestic product is

exporter in the world, comparable to Sweden or Switzerland.

Among German states, Bavaria is the third largest exporter after North Rhine-Westphalia and Baden-Württemberg, and the second largest importer after North Rhine-Westphalia and before Baden-Württemberg.

The Soviet Union is one of the few nations in the world with which Bavaria has a trade deficit. Bavaria accounts for one third of West Germany's imports from the Soviet Union; raw materials and petrochemicals (particularly fuel, lubricants and natural gas) make

to bring more opportunities for Bavarian exporters.

Bavaria's share of West German exports is now around 22 percent electrical products, 20 percent motor vehicles and almost 16 percent machinery, and these three sectors account for around 59 percent of Bavaria's total exports. Bavaria's business leaders feel that these sectors are the most promising for further development.

Bavaria is a state with few natural resources and thus relies on its productive spirit to keep its industrial sector competitive on the world market. The state's industrial landscape is less character-

top insurance center and its second-largest banking center, has the country's third-largest stock market and is a popular location for international trade fairs.

Bavaria's good infrastructure and convenient location in the heart of Europe are expected to bring the state further economic growth in the 1990s. Transport, research and technology transfer and access to energy supplies are particularly efficient in Bavaria. Munich's new Airport II, set to open in 1992, is planned to become an international hub, particularly for flights between West Germany and Africa, the Middle East and the Pacific region.

**B**AVARIA's additional advantages are its stable political structure and highly trained work force. Industrial sites are still available in all parts of Bavaria, and in certain regions industrial investment receives financial support from the state government.

Bavaria is presenting itself to the Soviet Union as an efficient partner ready for cooperation. Bavaria has been working toward such cooperation for a long time and is well equipped for it.

In our dealings with the socialist states of East Europe, exchange of goods, licensing, and cooperation in production are predominant at present. In the future we shall develop new forms of economic cooperation. Joint ventures, at the top of the ladder of cross-border economic activities, should be undertaken only after long-standing, mutually successful cooperative efforts.

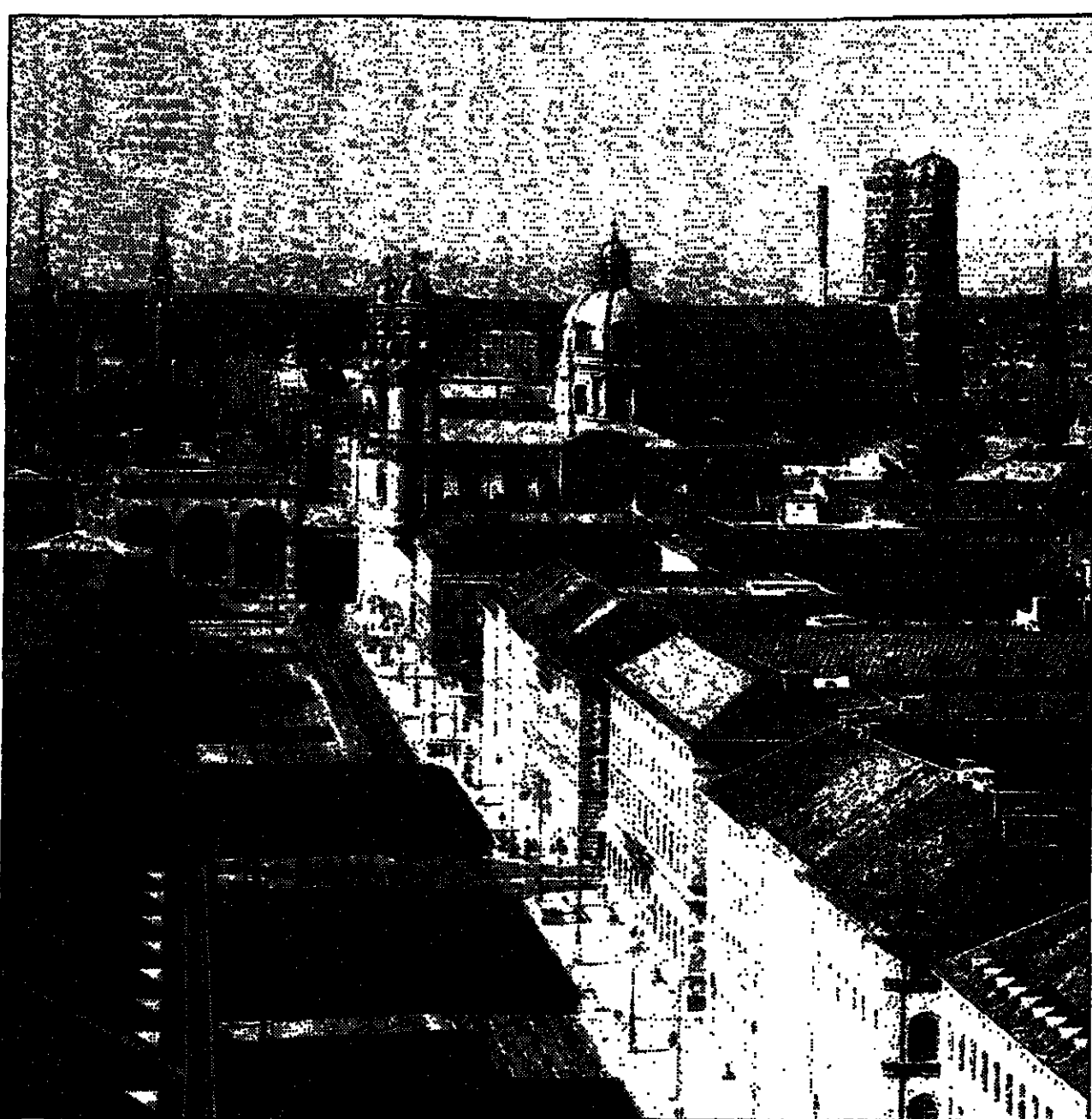
Bavaria is prepared for these new forms of cooperation, given the fact that Bavarian companies have years of experience in this field: Bavarian companies were the first in the West to organize joint ventures in production, services and banking with the socialist countries of East Europe.

The experience gained in these enterprises is invaluable for us, not least in expanding Bavaria's relationship with the Soviet Union. As a consequence, Bavarian companies look at cooperation with their East European business partners in a very realistic way.

Our companies consider that the numerous new joint-venture regulations being devised by Eastern Europe are primarily political moves reflecting social and economic change. Bavarian companies are, however, still waiting for price reforms, various implementing regulations and provisions, and new tax laws. In their opinion, only these will demonstrate how serious in any given case the interest in a mutually advantageous cooperation really is. There is, however, a broad infrastructure already in place for such cooperation.

Almost all Bavarian universities maintain partnerships with universities in Eastern Europe. Renowned scientific institutes, such as the IFO-Institut für Wirtschaftsforschung (an institute for economic research), the Ostinstitut (Institute for the East) and the Südostinstitut (Institute for the Southeast) of the University of Munich, or the Südost-europa-Gesellschaft (The Association for Southeast Europe), give valuable, scientifically well-founded advice used in forming Bavarian foreign trade and payment policies.

It was the German free state of Bavaria which, in 1978, was the first German federal state to hold a scientifically oriented exhibition about its domestic economy in Moscow. We quite understand that our companies prefer to participate in technical fairs. However, we still think that it was right to show in Moscow at that time what the Bavarian economy on the whole is able to produce. Our Soviet friends still remember that



Munich's skyline, with the Alps in the background: Bavaria's capital — soon to have a major new airport — has already become an international business center and a meeting point between East and West.

exhibition. This was successful "reminder" advertising.

In addition, the state government of Bavaria has for a long time been fostering the image of our medium-sized companies through appearances at the large fairs not only in Moscow, but also in Bonn, Poznan, Budapest and Plovdiv.

And, international fairs in Munich and Nuremberg are recording an increasing number of exhibitors and visitors from Eastern Europe every year.

**M**OREOVER, the state government of Bavaria participates in "Branchenkonferenzen" (conferences specializing in a particular line of business) in the Soviet Union and other East European states. This provides Bavarian and host-country companies with an opportunity for extensive discussions about industrial-policy questions. The same procedure is applied in Bavaria's current cooperation with the Soviet mechanical engineering industry; an agreement between Bavaria

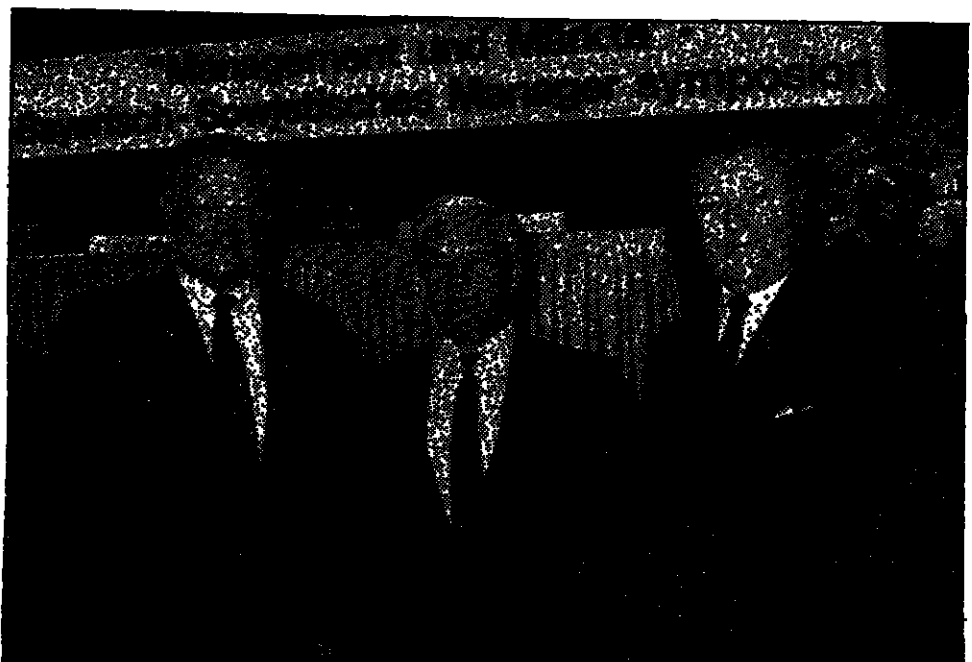
and the Soviet Union was concluded in 1988 and has resulted in numerous technical conferences.

The new Munich II Airport, the Rhine-Main-Danube canal, and the planned freeway connecting Amberg and Prague will also give valuable fresh impetus to our economic relationship with the Soviet Union and the states of East Europe, since good economic relationships demand rapid and efficient traffic routes. Finally, Munich's wholesale market continues to be one of

the most important markets for agricultural products from Eastern and Southeastern Europe.

The efforts of the state government of Bavaria in making a strong bid for the markets in Eastern Europe, along with our experience and geographical advantages, make us particularly hopeful about a future in which our current successes will continue.

August R. Lang,  
Bavarian Minister  
for Economic Affairs  
and Transport



From left: Bavarian Prime Minister Mr. Max Streibl, Deputy Chairman of the Soviet Council of Ministers Mr. Ivan Silayev, Bavarian Minister for Economics and Transportation Mr. August R. Lang.

now at DM306 billion at 1980 prices (almost \$163 billion), higher than Belgium's.

There are many reasons for Bavaria's economic vitality. Certainly a decisive influence has been a marked expansion of foreign trade and other business relations abroad.

Bavaria's share of German foreign trade overall climbed from 12.6 percent of exports in 1970 to 15.6 percent in 1988, and from 11.3 percent of imports to 14.7 percent. This occurred despite the fact that West German foreign trade also grew significantly during the same period; West Germany as a whole now has one of the world's highest export rates.

With foreign trade totaling DM153.4 billion, of which DM88.6 billion is exports, Bavaria itself is a large

up the majority. However, the state's trade deficit has gradually been reduced (to a total DM1.3 billion in 1988) as Bavaria's importing of petrochemicals has been cut down.

The Bavarian share of German exports to the Soviet Union (10 percent in 1988) is relatively small, even though it has been increasing since 1985, to a total DM940 billion last year. The Soviet Union is now (after a three-year decline) Bavaria's sixteenth-largest market, accounting for 1.1 percent of Bavarian exports in 1988, an increase of 27 percent over the previous year.

Machinery, electrical products and semi-finished textile products now make up 75 percent of Bavarian exports to the Soviet Union. The Soviet Union's new economic policies are expected

ized by large and heavy industry than by numerous smaller and mid-sized companies with broad production ranges.

High-technology sectors such as electrical engineering, electronics, machine and motor vehicles production and the aerospace industry currently employ half of the Bavarian workforce. Bavaria's electrical engineering sector is especially strong, accounting for 30 percent of West Germany's overall sales and employing 25 percent of West German workers in this sector.

Bavaria's services sector (which accounted for a 56 percent share of the state's economic activity in 1988) has benefited Bavarian industry, as has the growing reputation of the state's capital, Munich, as an international business center. Munich, now West Germany's

### BAVARIA'S ECONOMY FACTS AND FIGURES 1987

Resident Population	11 million
— age 15 to 65	69.6%
Economically Active Population	5.35 million
— agriculture	7.7%
— manufacturing	41.7%
— self employment rate	10.0%
— unemployment rate	5.9%
Gross Domestic Product	\$201 billion
— agriculture	2.1%
— manufacturing	41.5%
— real growth (DM-basis) 1986	3.2%
1987	2.4%
— per capita (nominal)	\$18,204
Imports (goods only)	\$34.4 billion
— growth DM-basis / \$-basis	—0.1% / +20.6%
— share of world imports	1.35%
— per capita	\$3,134
Exports (goods only)	\$46.5 billion
— growth DM-basis / \$-basis	2.1% / 23.4%
— share of world exports	1.89%
— per capita	\$4,243

Foreign Trade Structure (% of total)	Exports	Imports
Foodstuffs	7.2%	7.5%
raw materials	0.9%	8.2%
semi-finished goods	4.5%	10.7%
finished goods	87.3%	73.6%
— vehicles	25.1%	8.3%
— machines	18.0%	12.2%
— electrical equipment	15.7%	15.2%
— chemical products	8.3%	7.9%
— textiles and clothing	4.5%	11.1%

Foreign Trade Partners (% of total)	Exports	Imports
EC (12)	48.3%	42.8%
— Italy	12.4%	14.8%
— France	10.0%	7.1%
— United Kingdom	8.5%	6.4%
EFTA	17.6%	18.2%
— Austria	7.0%	10.9%
— US	14.0%	7.4%
— Japan	2.6%	5.6%

(exchange rate DM per US\$ average 1987: 1.7974, 1986: 2.1715)

## Love at first site.



Obviously something has been attracting technically advanced firms from around the world to Bavaria — Europe's premier location for high-performance companies. Consider this combination of typical strengths:

**1.** Bavaria has a strong commitment to the principle of help for self-help: Solid support for education and vocational training, R & D, technology transfer, and a variety of investment incentives.

**2.** As Germany's largest federal state, Bavaria offers diverse sites for industrial settlement. Companies locating in Bavaria can tailor facilities from more than 27,000 acres of available space.

**3.** Bavaria is a technically advanced economy and employs one-fourth of all Germans active in electronics and electro-technology — industries such as components manufacturing, telecommunications, data processing, and electromedicine.

**4.** Bavaria features one of Europe's highest concentrations of user industries of advanced technology products. Leading electrical and mechanical engineers, automakers, and aerospace industries operate in Bavaria.

**5.** Bavaria employs more people in R & D in the industrial sector than in any other state. It is the home of the world-famous Max-Planck Institute and Fraunhofer-Gesellschaft as well as many research facilities for micro-electronics and biotechnology.

**6.** In Bavaria, entrepreneurial drive and a strong work ethic are the bedrock of growing prosperity. Government, business, the labor community, and the academic world have linked resources to create an ideal environment for high-performance companies.

Not bad for a state famous for its charming lifestyle. If your company is considering expansion in Europe, take a close look at Bavaria. It'll be love at first site.



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# East/West Perestroika Trade in the 1990s

Tactics / New Products for New Markets

## New Programs to Reduce East German Trade Deficit

East German washing machines, dishwashers and vacuum cleaners are being bought by West German consumers; firms specializing in providing an interface between the two Germanies (such as Melcher GmbH in Elmshorn) have been recording two-digit rates of growth; and 940 West German companies were among the 9,000 exhibitors at East Germany's major business event, the 1989 Spring Fair held in Leipzig.

In spite of these signs of economic health, total trade between the "secret member of the European Community" (as East Germany is sometimes called) and the Federal Republic of Germany, its main trade partner, has been declining in real terms since 1985, according to figures issued by West Germany's Federal Office of Statistics.

"East Germany's export problems are very simple," says Wolfgang E.H. Wetzke of the authoritative German Council on German Democratic Republic (GDR) Trade, located in Berlin.

"They have to deal with increased competition from other suppliers in the Western markets and more demanding consumers in the East bloc and domestic markets. They are offering too many goods to too many countries — and the goods they are offering are often not what the markets are now looking for," Mr. Wetzke says.

In fact, according to the German Institute for Economic Research, the GDR has been disguising a growing deficit with the FRG through "triangle trade," in which an East German company places an order with a Western (non-German) middleman, who in turn purchases West German goods and ships them to the GDR. Officially, the goods are recorded as imports from France, Spain or wherever. "Triangle trade" is expected to surpass the DM 1 billion (around \$530 million) mark in 1989.

The GDR also has a trade deficit with the Soviet Union, which accounts for 39 percent of East German trade. A new agreement reached in November of last year between East Germany's Minister of Trade, Gerhard Bell, and his Soviet counterpart, Constantine Katuchev, specifies that the GDR will begin to balance its chronic trade deficit (over DM2.5 billion in 1987) through payments (presumably in hard currency).

Faced not only with these pressures from trade partners, but also with the uncertainties of a single European market and growing competition from newly industrialized countries in such fields as appliances, semi-processed

goods and chemicals, the East German response has been twofold.

First, while eschewing joint ventures, East German "Kombinate" (vertically integrated industrial bodies) have been eagerly promoting cooperation deals that do not involve cash exchanges. Such agreements take various forms: production licenses are exchanged for products manufactured using them, or West German orders are subcontracted to the East in exchange for the technology used in processing them, or there is a swapping of raw materials. Models are the successful and long-standing relationships between West Germany's leading shoe producer, Salamander, and the GDR, and an arrangement Volkswagen AG concluded recently with one of East Germany's largest trading houses, Industrie Anlagentransfer.

A second promising GDR tactic has been to select 16 of the country's Kombinate to participate in a pioneering project of self-management; groups participating include the Carl Zeiss Kombinat in Jena, which has an annual turnover of DM2 billion and exports everything from eyeglasses to 4-megabyte chips to components for the Soviet space program. By 1991, all of the country's Kombinate will theoretically be self-managing, although according to Kurt Erdmann of the Center for Research into German-German Economic and Social Matters, the managers will still in fact be dependent on what the country's centralized system will supply them in resources and personnel.



Gerhard Bell, East Germany's Minister for Foreign Trade.

The prospects for the GDR's being able to open up new markets with new products exist, but there are clear stumbling blocks. The GDR "may be in for a few difficult years," says Mr. Wetzke resignedly.

Terry Swartzberg

Two-Way Trade / Foreign-Currency Projects Popular

## Japan's Joint Ventures With U.S.S.R. Still Limited

Caution and optimism are the two words most Japanese officials and businessmen are using to describe their trade relations with the Soviet Union. Despite the Japanese government's stance that bilateral trade relations will not be normalized until the northern territories issue — a dispute between Japan and the U.S.S.R. over four small, strategically located islands off the northern coast of Hokkaido — is settled, the Japanese are gradually warming to Soviet efforts to attract them as investors.

Two-way trade between Japan and the Soviet Union hit an all-time high of \$5.8 billion last year, up from \$4.9 billion in 1987. The figure represents the largest amount in trade carried out between the two countries since a peak of \$5.5 billion in 1982. A further increase is expected in 1989, according to Yoshihiro Matsumae of the Japanese Ministry of International Trade and Industry's South Asia and Eastern Europe International Trade Policy Bureau.

Iron and steel products are Japan's main exports to the Soviet Union, followed by industrial and office machinery. Exports totaled \$3.13 billion last year, while imports from the U.S.S.R. — non-ferrous metals, raw materials, minerals, mineral fuels and food stuffs such as fish and meat — amounted to \$2.76 billion.

The Soviet Union has been trying to

increase trade through various incentives. Part of its perestroika process has included a revision of rules regarding joint ventures with foreign firms; foreign investors are now able to place one of their own nationals in executive positions in these ventures. The amount of capital can also now be determined by the parties involved, whereas previous regulations required that the Soviet side own 51 percent in equity capital.

In spite of this liberalized policy, however, the Soviet government stipulates that joint ventures earn foreign currency through exports. The Japanese find this requirement risky, since there is no guarantee that Russian goods are competitive on the domestic market, according to Tetsuo Sato, director of the Japan Soviet Trade Association, a private organization consisting of 70 Japanese companies. "There is a lot of concern among Japanese firms in dealing with Soviet-made products, especially about their marketability in Japan," Mr. Sato says.

Mr. Sato notes that more Japanese firms are opting to develop joint ventures in the hotel or restaurant industries, which deal in foreign currency

and are thus seen as safer investments. Three such joint ventures have been initiated involving Association members, including one hotel project with the Soviet Intourist organization.

The major obstacle that Japanese firms face in trading with the Soviet Union is the strict control by the Japanese government and COCOM (Coordinating Committee for Multinational Export Controls) of shipments of sensitive exports, such as high-tech equipment. "If these restrictions were lifted, and Japanese companies were able to ship items such as computers, trade between the two countries would increase three-fold almost immediately," Mr. Sato believes.

Although politically inspired controls remain a barrier in expanding trade with the East bloc, at least two Japanese firms have formed joint ventures with Soviet groups for fisheries and fish processing projects.

And a consortium consisting of Mitsui and Co., a major Japanese trading firm; Seibu Saito group, owner of the Intercontinental hotel chain; and Shimizu Construction Company plans to build a five-star hotel in Moscow. Construction of the 35-story, 600-room

hotel will begin this summer. It will be capitalized at 3 billion yen, the largest investment yet recorded for a Japanese/Soviet venture, and the total expenditure will be 12 billion yen. The responsibility for running the hotel will be transferred to the Soviets in 20 years.

Other major Japanese trading firms, such as C. Itoh and Company along with Mitsubishi Corporation, are planning to open offices in the Soviet Union soon, and in April of this year Nissho Iwai, the sixth-largest Japanese trading firm, opened a representative office in Khabarovsk, in the eastern part of the Soviet Union.

The office will oversee the exporting of Soviet timber and marine products to Japan as well as supervise development projects in Siberia. Over the past few years, Nissho Iwai has been earning \$500 to \$600 million annually through trade with the Soviet Union. In 1987, it signed its largest Soviet contract, at \$1 billion, to supply machinery for a forest-fiber plant. However, Nissho Iwai's total trade with the U.S.S.R. represents only 1.5 percent of its annual sales.

While volume has been steady, Mitsuru Ikeya, manager of Nissho Iwai's U.S.S.R. trade department, said the amount is unlikely to grow in the next few years. "Although we are concentrating on building relationships with enterprises in the Far East, I don't visualize any remarkable growth in our Soviet trade within the next two or three years. It may expand in 1991 when their five-year economic plan is implemented; then, it may be possible to make direct investments and form more joint ventures," Mr. Ikeya says.

This year, the firm plans to pursue contacts with smaller Soviet companies, particularly ones that are involved in woodworking and non-ferrous metals production. Perestroika has led Nissho Iwai to take more interest in these smaller companies, Mr. Ikeya says. "Before these changes started to happen, our trade with Russia was quite small because the system was centralized," he points out. "However, when we did trade with the Soviets, the orders were big. Now the situation there is changing daily, and we have to try and keep up with them. More small companies dealing a greater variety are being established,

and we plan to actively pursue business with them," Mr. Ikeya adds.

Both Japan and U.S.S.R. seem to be making more of an effort than ever before to establish closer ties. In order to disseminate more information about the Soviet Union and Eastern Europe, the Japan Association for Trade with the Soviet Union and Socialist Countries of Europe (SOTSO) has established a research institute within the Association where data on the economics and politics of these countries are kept on file.

A Soviet plan to set up three free-trade zones to attract investors — two near ports in the Far East and one near the Finnish and Soviet border northwest of Leningrad — has been greeted with both enthusiasm and doubts by the Japanese. "It would be very difficult to set up these zones because they would need an infrastructure, and then a decision about what items would be produced and where they would be sold," Mr. Sato says.

Nissho Iwai's Mr. Ikeya concurs: "Such zones would be helpful for trade, but we don't know what the Soviets envision. If they are aiming to set up high-tech industries, this won't be viable because of COCOM regulations. There is also not yet any infrastructure nor are there any supporting industries in these areas," Mr. Ikeya points out.

Shella Phelon

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# East/West Trade Perestroika in the 1990s

Information Transfer / Creating a Two-Way Process

## Closing the Soviet Technology Gap

At the heart of Mikhail Gorbachev's program to restructure the Soviet economy is the desire to close the technology gap and make the Soviet Union an economic as well as a military superpower. In 1985, he set the goal of raising Soviet technology to world levels and attaining superiority in computer and radio technology. In the current five-year plan (1985-90), investment in machine building is due to increase by 80 percent.

Glasnost has made it impossible for the Soviets to hide the size of their technology gap with the West. Their self-deprecating quips about becoming a "big Saudi Arabia" or "Burkina Faso with rockets" reflect the reality that over 80 percent of the Soviet Union's exports are raw materials, and about half of these are energy products. Military and space research have been promoted in the race for superpower supremacy, but their fruits have not yet been transplanted to the civilian economy.

Last December, 14 top-priority programs for scientific research were drawn up by the State Committee for Science and Technology. About half of these are in high-technology fields such as high-energy physics, high-temperature superconductivity, information technology and biotechnology. The Soviets are also interested in resource-saving technology that will reduce pollution in energy generation, steel production, and the chemical industry. Efficient food production and high-speed transport are other priority areas. No one knows what the detailed shopping list for Soviet technology purchases looks like. "It's probably a top-secret document," says one Western diplomat.

The shrinking of Soviet hard-currency revenues from energy sales has, in fact, caused a cutback in machinery purchases from Western countries since 1986. Imports of machinery from Organization for Economic Cooperation and Development (OECD) countries fell by 17 percent in 1987. The shortfall in purchases was made up for by machinery purchases from the European Council for

Mutual Economic Assistance (CMEA) countries, according to Daniel Thorniley, an analyst at Business International in Vienna.

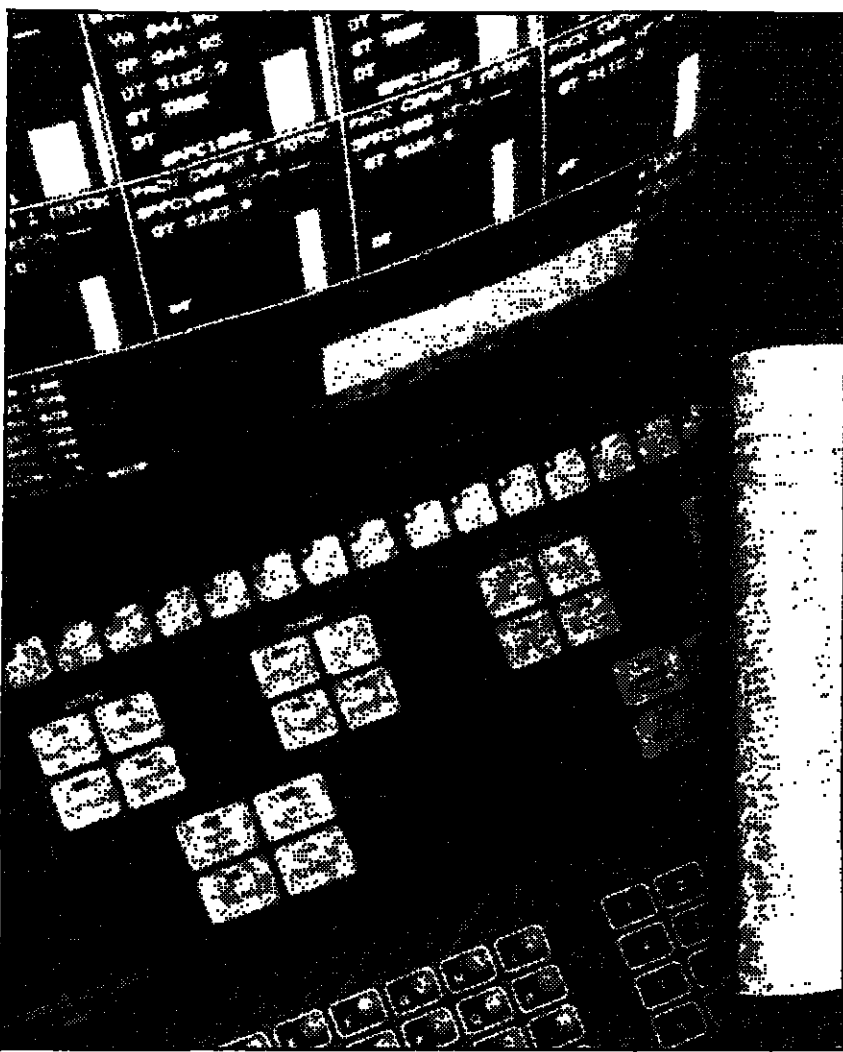
Joint ventures are one way the Soviets hope to increase the rate of technology transfer from the West while also decreasing their hard currency costs. The West German firm Liebherr is involved in a venture to supply cranes to be used in the oil and gas industry. German trade attaché Wolfgang von Lingelsheim says: "Gradually, the Russians hope to increase their share of the manufacturing process and decrease the number of parts being purchased for Deutsche marks."

Problems arise when the technology being transferred has a potential military application. Such transfers fall under the jurisdiction of the Coordinating Committee on Multilateral Export Controls (COCOM), a Paris-based organization that monitors sales of sensitive technology to communist countries. "Two personal computers may look alike, but one of them could contravene COCOM rules," explains one Western diplomat. "It depends on the chips, clock speeds, pulse data rates," he adds.

Computers are the most visible object of COCOM restrictions, but other sensitive areas are advanced communications equipment, radar and laser technology, and sonar equipment that the Soviets request as fish-finders but that could also be used to track submarines.

U.S. companies selling licenses for technology find that checks by the U.S. Commerce Department's Export Control Administration can take up to a year. Western diplomats say that there is pressure to remove low-priority items from the bottom of the COCOM list, but they do not predict any quick changes. "The aim is to build higher fences around fewer items," one diplomat remarks.

In spite of the potential complications, many Soviets are determined to make technology transfer a two-way process. "Our problem is how to digest our own inventions," says Vladimir



A \$12 million upgrading of a Soviet ethylene plant by Combustion Engineering (U.S.) included supplying Cyrillic-alphabet computers.

mir Ezhkov, deputy chairman of the U.S.S.R. State Committee for Science and Technology. "We are working to create an environment to encourage the flow of our scientific achievements into industry, and to use [our technological innovations] in joint ventures with foreign partners. We would like to be active salesmen of technology," Mr. Ezhkov says.

At least one Western firm, Monsanto, has been sold on the idea of joint research. The company has signed an agreement to develop biotechnology projects jointly, and its Moscow representative, Thomas Laurita, says: "We're interested in new technology in pharmaceutical areas — there ought to be a large num-

ber of valuable ideas. In pharmaceuticals, one blockbuster drug is worth millions." A U.S./U.S.S.R. agreement signed in January to develop cooperation in basic scientific research may encourage other firms to get involved.

Some influential Soviet economists oppose the idea of their country going into debt to acquire technology that it may not be able to absorb. Industrial infrastructure is weak, they point out, and high-technological standards are rarely observed.

And, as Mr. Ezhkov admits, structures to encourage the application of Soviet innovations in industry have still not been developed. "We're still searching," he says.

Sophie Quinn-Judge

Aerospace / Finding New Niches

## Aviation Glasnost: East Meets West's Standards

Glasnost in East/West aviation trade is paving the way for a new era as the two blocs begin to loosen age-old constraints on markets and manufacturing partnerships.

Boeing Commercial Co. and Airbus Industrie are both making inroads into what was until a few years ago a Soviet aircraft industry preserve. Philip Condit, Boeing vice-president, says his company is "making an all-out effort to capture new orders from Eastern Europe."

Interflug, the East German carrier, has become the first Comecon-country airline to order three Airbus A310-300 wide-body airliners. The Czech national airline, Ceskoslovenske Aerolinie (CSA), has been authorized to order two of these planes for flights between Prague and New York, Montreal and Beijing. LOT, the Polish airline, will shortly take delivery of two Boeing 767-200ERs (extended-range planes). A third Boeing 767-300ER is on order to Polskie Linie Lotnicze. The Hungarian flag carrier Malev has three Boeing 737-200s and one British Aerospace BAe 146-200QT 100-seat aircraft.

But U.S. and European aircraft manufacturers have received export licenses on the condition that certain key parts, such as some avionics and the engines, be returned to the West for servicing. Thus Lufthansa, the West German national airline, will be in charge of overhauling and maintenance of the Interflug Airbus engines. LOT has made similar arrangements for its General Electric GE CF6-80C2-powered aircraft, which will be used on its routes from Warsaw to New York, Chicago and Bangkok.

Leading international leasing companies are also looking into the big opportunities opening up in the East bloc. Guinness Peat Aviation (GPA), the Shannon-based aircraft leasing group, is negotiating with the Soviet Union concerning the purchase of Ilyushin IL96-300 and Tupolev TU-204 planes.

"GPA expects to lease its Boeing and Airbus to Eastern European airlines, and its potential Ilyushins and

Tupolevs to other carriers elsewhere in the world," says Peter Sutherland, a member of GPA's board of directors. He adds: "Eastern European airlines need more aircraft capacity to cope with increasing Western tourist trade. Also, in order to attract more passengers from the U.S. or Western Europe, they need wider and quieter aircraft."

The Soviet aircraft industry, whose Aeroflot is the world's biggest single airline, is fighting to stem the flow of Western airliners into East-bloc fleets. The U.S.S.R. is developing more economical, more reliable and quieter aircraft, and may show its six-engine An-225 Mriya — designed to transport space vehicles — at Paris's Le Bourget air show this June.

At this stage, Aviaexport, the Soviet commercial aerospace industry's export arm, has little chance to sell its products to major Western airlines, simply because they do not yet conform to U.S. or European regulations. However, Lufthansa and its Hapag-Lloyd Fluggesellschaft GmbH charter carrier may soon use Soviet cargo planes for its growing freight business.

Lufthansa and Aeroflot have agreed to form a joint company for the expansion of Moscow's Cherepovets airport, and talks are under way between the airlines on the small Ilyushin 76, which may be fitted with AEG turbines for sale in Latin America.

Poland's aviation industry is one example of the effects of perestroika reforms. From the start, Polish aviation companies decided to specialize in small aircraft manufacturing. Last year, Poland produced 750 airplanes and helicopters under Soviet license, including the An-2 and the Mi-2.

Western manufacturers are looking to the day when the Soviet Union will work with them to build aircraft for the year 2000 and beyond. Henri Martre, Aerospatiale chairman and chief executive officer, says he has found the Soviets "very attentive to plans for a Super Concorde supersonic or hypersonic airliner."

Gilbert Sedbon

After decades under the heavy hand of state bureaucracy, Soviet auto plants are relishing new independence, which one plant director enthusiastically says gives them "more freedom than American businessmen."

Since January 1987, the seven major Soviet auto plants have been given control over their own design, production and sales programs.

Avtoexport, one of the government corporations that make up the Soviet Ministry of Foreign Trade, once managed all international sales and purchases. Now, each factory has its own export division. Independence has given new importance to the concepts of quality control and state-of-the-art technology.

"Now our goal is to make the best cars in the Soviet Union. Earlier we didn't have that kind of goal; we just made the same old cars we had been making for 20 years," says Valentin Kolomnikov, director of the Moskvich Production Co., which runs the Azik auto plant in Moscow.

Before Azik introduced its new car, the Aleko 141, it had been turning out the same model for two decades. Mr. Kolomnikov says his plant now intends to introduce new models every two or three years.

"It's a new epoch. We're making our plant more flexible so we can produce more than one model at a time. If a new model makes big money on the world market, we can step up its production. If it flops, we can make more of the old model," Mr. Kolomnikov points out.

"Our first priority is to sell cars for hard currency. The government understands that without hard currency, we will not be able to keep up with modern technology," he adds.

The Soviet Union's total auto exports rose from 300,000 cars in 1985 to 360,000 in 1988. The hike was due to an increase in hard-currency sales from 100,000 to 160,000 cars, sparked by the popularity of the Aleko and of another new model introduced by the Vaz factory in Tolyatti, according to Igor Ak-sionov, deputy chief of Avtoexport. Both cars closely resemble compact cars now sold by the world's major automakers.

"Now the Soviet auto in-

Automobiles / Becoming Competitive with the West

## Soviet Auto Factories: New Flexibility and Quality Control

dustry is keeping pace with the world market, rather than waiting for the market to move and then, years later, responding. And quality control has taken on new meaning," says Greg Oztemel, the chief representative in Moscow for Satra, an international trading company that supplies Soviet cars to the United Kingdom and Ireland.

The Soviet Union exports cars to Soviet-bloc countries in exchange for car components and other goods, and to Western countries for hard currency. Before perestroika hit the auto industry, Avtoexport handled all exports and paid the auto plants in rubles, even in hard-currency sales.

Now the plants strike their own deals and decide independently how to use the hard currency from sales to buy foreign equipment and pay for foreign consultants to help improve their automobiles. Azik has also used some foreign currency from sales to buy Scandinavian clothing and shoes for its workers and their children.

"We never felt connected to our product before. Now we realize that how well we live depends on whether or not people abroad buy our cars. For this we need not only good quality but also a good design, because the market is very picky," says Alexander Sorokin, chief designer at Azik.

"Azik also needs hard currency to pay back a debt to the Soviet government of several hundred million dollars, which the plant used to reconstruct its main factory and build a new engine plant," says Alexei Morozov, head of Azik's foreign relations department. "If only our ruble was — as it was in 1922 — on the gold standard, we would be in a totally different economic situation," he adds.

In 1988, Azik exported 12,000 passenger cars. It exported 16,500 in the first four months of 1989 and plans to sell a total of 48,000 before year's end. Its target production for 1989 is 120,000, but by 1993, it plans to make 180,000 and sell as many as

65,000 of them for hard currency, according to Mr. Kolomnikov. He says that perestroika has given him more freedom to bring Azik's new engine factory up to world standards. "We bought the metal structure from Yugoslavia and supplied them with cars in return; earlier we couldn't even think about such a deal," he says.

A British firm, Ricardo, is optimizing the new engine design. Companies from West Germany, France, Italy and Japan supplied machinery and technology to restructure the main plant.

West European firms play a much larger role than Japanese firms in the Soviet auto industry, both Mr. Kolomnikov and Mr. Axenov point out.

"Because the ruble is not convertible, Japanese companies are cautious about investing in the Soviet Union, even if perestroika keeps advancing," says Aday Ogawa, commercial counselor at the Japanese embassy in Moscow.

Mr. Axenov says Avtoexport maintains a substantial role in exports by setting prices and requiring plants

to get approval before making contracts with foreign dealerships. It is also primarily responsible for transporting new cars abroad, and for advertising, legal questions and hard-currency financing.

Mr. Kolomnikov says his plant, Moskvich, is learning to dodge Avtoexport, however. "When Avtoexport makes a good deal, we say thanks. But when they don't get us a good price, we say 'We'll handle it ourselves,'" he says. Azik now sells to six Western countries and is negotiating with Belgium, Finland and Greece. "Av-

toexport doesn't even know about this," Mr. Kolomnikov adds.

Azik managers make arrangements for transportation and television commercials and even set up ads during intermissions of performances of a Soviet mime group called "face-makers," now touring Europe.

Mr. Kolomnikov says he works with fewer restrictions than do some of his Western counterparts because the Soviet auto industry is not yet very regulated. "Considering the freedom we now have

through perestroika, I think we have more rights than American businessmen," he says.

But Mr. Axenov said Avtoexport will keep the reins on auto plants by setting limits on exports until domestic demand is met. Soviet auto production has hovered at about 1.2 million cars for about 15 years, which falls far short of the needs of the Soviet Union's 290 million people.

"Our first priority is supplying cars to our people. Soviets are just like everyone else — you can't just tell them to wait because a

factory needs to earn hard currency," Mr. Axenov says. Soviet citizens now have to wait as long as 10 years to buy a new car, unless they have special jobs or other privileges giving them priority, Mr. Kolomnikov points out.

Mr. Axenov says the government plans to reduce this delay by increasing production for domestic use to 2.1 million cars per year by 1995. No substantial export increase should be expected until after that date. The Soviet Union does not import foreign cars, nor does it plan to start importing them, he believes.

"They can't buy foreign cars; where would they get the money?" Mr. Oztemel says.

Elizabeth Shogren

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# East/West Perestroika Trade in the 1990s

Privatization / Attracting Western Buyers

## Hungary Devises Foreign Investment Incentives

The Hungarian government, faced with a \$18.6 billion foreign debt and an 18 percent annual inflation rate, has recently devised various measures to attract Western investment as a means of bringing about economic recovery. Foreigners now can buy unlimited registered shares on Hungary's fledgling stock market, most joint ventures qualify for a five-year tax exemption, and some of the largest industries are for sale to the highest hard-currency bidder.

Hungary has so far succeeded in attracting some of the world's largest corporations, such as McDonald's, Levi Strauss, and Shell International. The 184 currently registered joint ventures (70 percent of which are industrial) are solid performers. Their profits overall are twice as high as those of the average Hungarian industry, total

sales are three times higher, and profits per capita are six times higher, according to Ministry of Industry data.

However, according to Josef Menyhart, president of the Hungarian Chamber of Commerce's Joint Venture Club, "The impact of joint ventures on the Hungarian economy is very, very slight so far." Total invested capital is now at \$3.2 billion, half of which was put up by foreign partners. Most joint ventures have concentrated on domestic and Council for Mutual Economic Exchange (CMEA) markets, and few have conducted balanced trade, much to Trade Minister Tamás Beck's disappointment. Joint venture exports totaled \$22.5 million in 1987, while imports reached \$53.7 million.

Meanwhile, the Hungarian government is implementing economic re-

forms as quickly as possible. "The new Soviet leadership is watching us with deep sympathy, but every setback is, or will be, considered by Gorbachev's enemies as proof against perestroika," says Tamás Bácskai, professor of finance at Budapest's Karl Marx University.

Hungary has potential as an experimental laboratory for Westerners wanting to get their feet wet in a socialist market, says Stephan Wasyko, the U.S. Embassy's commercial attaché in Budapest. Hungary is, he points out, "in the low-rent district of Europe, so companies can buy in cheaply." But things must be kept in perspective, Mr. Wasyko adds: "Hungary's market is small potatoes."

"Hungary's trade with the West is artificially low, while trade with the East is artificially high," says Mr. Peter

Balázs, director general of the Western European department in Hungary's Ministry of Trade. The Soviet Union is Hungary's largest trading partner, followed by West Germany, East Germany, and Austria. Mr. Balázs dismisses any talk of Hungary joining the EC: "It's not realistic, as we can't be a member in two economic groups."

The government must take bolder steps in creating economic incentives, says Mr. Balázs: "It would be like adding oil to the economic machine, enabling it to turn over much quicker."

One incentive that has met with a lot of criticism within the country is the government's privatization scheme aimed at attracting foreign buyers. "Rather than trying to sell off their hopeless cases or crippled industries,



Peter Balázs, director general for Western Europe, Hungarian Trade Ministry.

they could attract more interest with trying to sell the ones that have real potential," says Mr. Wasyko.

Taurus Hungarian Rubber Co. of Budapest, Hungary's largest rubber manufacturer, plans to sell not more than 49 percent of its shares. "We just want enough foreign investment to

make us more competitive, more productive," says Dr. András Edelényi, Taurus's vice president of corporate development. Before any portion of the company can be sold, however, a debate about ownership must be resolved. In 1985, the government handed over control of state-owned enterprises to corporate councils, but "it still needs to be clarified which institution is acting as owner of a state-owned company," admits Dr. Edelényi.

Some economists argue that firms must be renationalized before being sold, while others propose creating a national holding company, according to Györgyi Kocsis, an editor at Hét Világággazdaság (Economic Weekly). "Many Hungarians worry that Western capitalists are going to buy us out," she adds, "but I'm afraid that they won't buy enough."

Mr. Balázs says: "We shouldn't be impatient. Just four short years ago we had a very old-fashioned, centralized economy."

Pamela Clarke

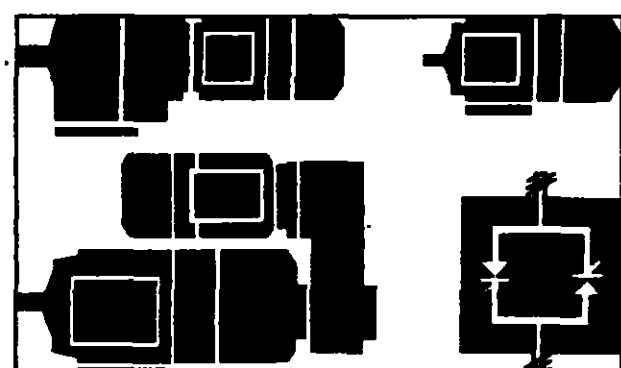
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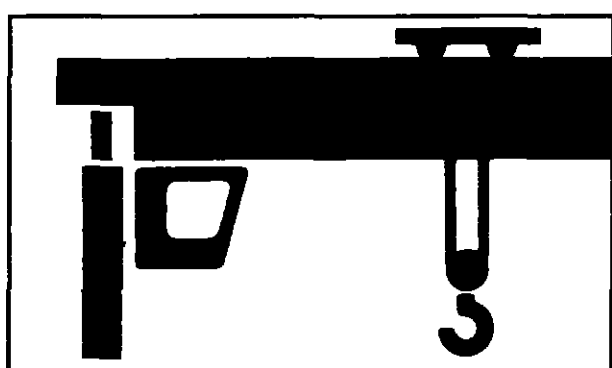
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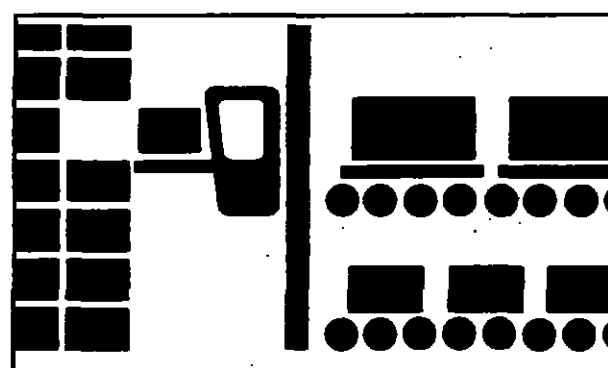
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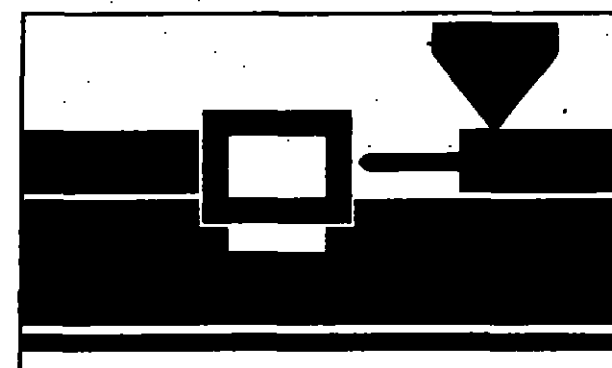
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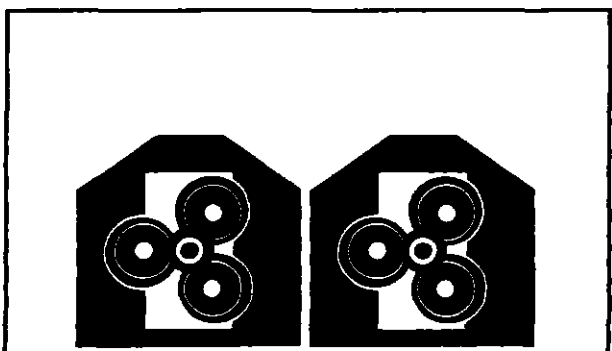
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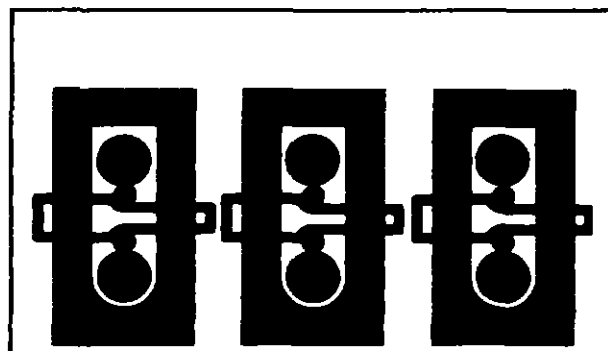
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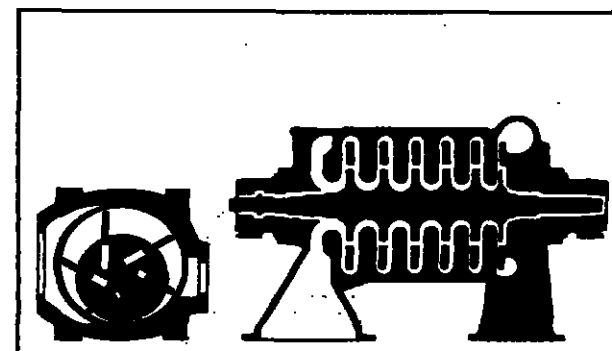
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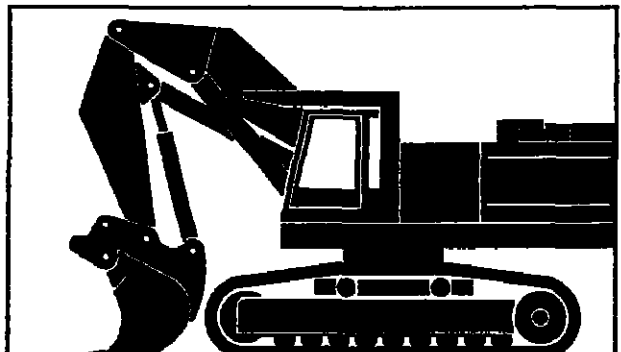
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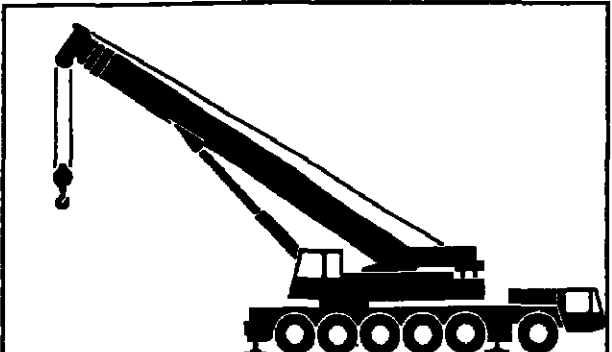
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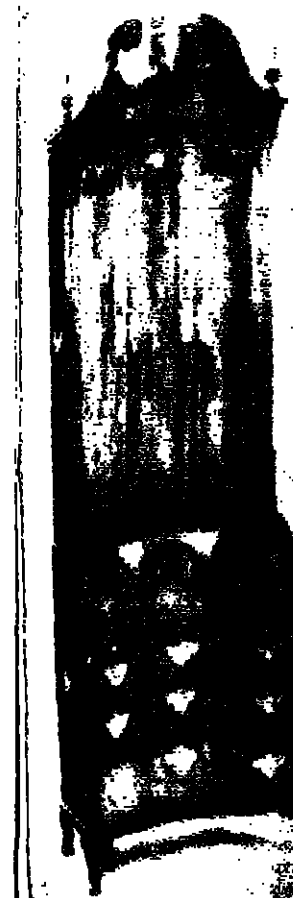


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## ARTS / LEISURE

## High Noon for Fashion Students

International Herald Tribune

ST. GALL, Switzerland — The Swiss played host last weekend to a fashion Olympics. Forty-eight students from colleges around the world — including for the first time a contingent from Beijing — came together for the Rencontre Suisse

SUZY MENKES

du Jeune Talent in St. Gall — the home of the Swiss textile industry. Two thousand meters of the finest fabrics — rivulets of metallic brocade, meadows of flowered chiffon and a sprinkling of snowy lace — had been given to the students by Switzerland's leading textile suppliers. In a comprehensive fashion show and in a small exhibition, the students showed what they could do with these mouth-watering materials.

"It was touching to see these children let loose in a cake shop," said Christian Lacroix, one of a panel of guest speakers at the follow-up symposium held Saturday at the University of St. Gall.

"It was just so stimulating to be able to work with fabrics that we would otherwise never have a chance to use," said Janine Schirmacher, from San Antonio, Texas. Her Rhode Island School of Design was taking part for the first time at the St. Gall event, last staged in 1985. Like all the students, she had been invited to Switzerland for five days to visit factories and get first-hand experience at weaving, printing and embroidery.

"Embroidery is such a new experience for them," said Professor Daphne Brooker of Kingston Polytechnic, one of the three British fashion schools participating. "The

fabrics are so elaborate that one of my students asked if he had to cut into it, or whether he should just drape it like a sari."

Therein lies the problem of putting learners in charge of these Ferraris of fabrics.

The result of the international talent meet was that all the gold medals went to the imaginative fabrics of the home team. The student show proved that luscious materials are best used by experienced high fashion designers who know how to drape slithers of chiffon with the minimum of seaming and let crisp piqué, airy guipure lace and liquid satin find their own volumes.

"The schools worldwide should appreciate what Switzerland is doing for them — and they should work harder," said Manfred Gergemanns, creative director of Abra-

ham of Zurich, which has close relationships with designers from Yves Saint Laurent through Emanuel Ungaro to the Americans James Galanos and Bill Blass.

"The teachers need to give the students help, a good education in workmanship and the knowledge of how to handle fabrics," said Gergemanns. He praised work from France, China, Italy and from Arnhem in the Netherlands.

There were no standouts in the show, although the Fashion Institute of Los Angeles produced competent evening clothes out of a sensational Forster Willi fabric of metallic tulle printed and re-embroidered with flowers; Kingston made simple tunics in crunchy raffia lace; Spain scored by keeping a national identity with shawls and ruffles; and St. Martin's College of London had lively menswear in ethnic striped silks. Menswear, and the well-presented lingerie show were both strong, because the students kept designs simple and used the fine eyelet and lacy cottons that were otherwise underrepresented.

"It is inevitable that students are attracted by fantastic fabrics that cost 200 Swiss francs a meter" (about \$120), said Werner Kobel, president of the Swiss Textile Center, whose members had donated fabrics valued at 100,000 Swiss francs. "But we should ask ourselves if the choice of fabric does justice to our industry. The object of the whole effort is to make the students familiar with our cloth in its different forms."

A feel for the 1960s — its bare midriff tops, flared pants and sharp colors — ran through the show. On this theme, the most striking fabric was a cotton piqué with stylized psychedelic flowers by Christian Fischbacher of St. Gall.

"In the textile industry we have to cope with the phenomenon of changing fashion in the upstream stage," said the company's managing director, Christian H. Fischbacher, at the university symposium, where he outlined the five factors that contributed to creative textiles: designer talent; a sense of identity and direction; market segmentation; well-organized feedback; and creative freedom.

But how much freedom? Current teaching in fashion schools majors on creativity and self expression — often at the expense of technique.

This month is high noon for students. The French Chambre Syndicale school held its 60th anniversary show Monday in Paris. Through June, end-of-term ceremonies and exhibitions will be held at the many British art schools. The St. Gall Rencontre, on the threshold of the 1990s and its united Europe, offered an unusual international assessment of students.



Clockwise from top: Black cape appliquéd with satin roses by Marin McEntyre of Rhode Island School of Design; Forster Willi's raffia lace used by Chris Jackson of Kingston Polytechnic, England; decorated flower bodice on madras check silk by Letizia Piani of Istituto Artistico dell'Abbigliamento Marangoni, Milan; Christian Fischbacher's white ridged cotton piqué with stylized flowers; Abraham's flowered silk used for Givenchy haute couture.

## 18th-Century American Desk Sells for Record \$12 Million

International Herald Tribune

AN American desk and bookcase made in Newport, Rhode Island, around 1776-1770, was sold at Christie's for \$12.1 million, more than four times the previous highest price paid for any piece of furniture.

Until recently, furniture — as, indeed, any form of decorative art — was considered to belong in a sphere far below that of the so-called fine arts.

SOURIN MELIKIAN

When a Chippendale armchair from Philadelphia that originally belonged to General Cadwalader went up to \$2.97 million in January 1987 at Sotheby's New York, it was considered a bit of a freak. With Saturday's purchase by an unidentified collector bidding through the dealer Harold Sachs, the Cadwalader armchair event now appears more like the beginning of a trend. From now on American furniture with links to the historical past is on a par with the most precious relics of the nation's cultural heritage.

What makes this case remarkable is that the historical character of the piece of furniture rests chiefly in its association with the Brown family of Newport, one of the most prominent families of Rhode Island's merchants. It probably belonged to Nicholas Brown and was definitely inherited by Nicholas Brown 2d who moved it, in 1814, to the Nightingale-Brown house where it stood until the sale.

Rarity is the other factor that sent the piece soaring sky-high. Dean Failey, Christie's expert on American furniture, says two other desks made for the Brown brothers survive. Another six pieces, related to the former through their so-called block-and-shell decoration, are preserved in museums. No other piece being on record, Christie's specimen was the last that was likely to come up on the market.



## WILANDER VOUS DÉVOILE SA TACTIQUE POUR LES QUARTS DE FINALE.



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A chaque pause, observez Mats Wilander. Après avoir posé sa raquette, il prend une bouteille de Volvic pour bien se réhydrater et

volvic

profiter de ses précieux oligo-éléments. Désormais, Volvic accompagne Mats Wilander dans tous les grands tournois internationaux.

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<p>NEW YORK — The dollar rebounded sharply today after a record low in the foreign exchange market, and the New York stock market rose to a new high.</p> <p>The dollar advanced 10 cents to 48 cents for gold, and the New York stock market rose 10 points to 100. The Dow Jones Industrial Average closed at 100.00.</p> <p>The dollar's advance was the result of a sharp decline in the price of gold, which fell from a record high of \$350 to \$340. The price of gold fell because of a sharp decline in the price of silver, which fell from a record high of \$1.50 to \$1.40.</p> <p>The New York stock market rose because of a sharp decline in the price of oil, which fell from a record high of \$1.50 to \$1.40. The price of oil fell because of a sharp decline in the price of coal, which fell from a record high of \$1.50 to \$1.40.</p>																																																																																																																																																																																																																																																																																																																																													
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Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. Steel	0.00	Am. Cotton	0.00	Am. Wheat	0.00	Am. Corn	0.00	Am. Soybeans	0.00	Am. Rice	0.00	Am. Sugar	0.00	Am. Oil	0.00	Am. Coal	0.00	Am. 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## CURRENCY MARKETS

## Dollar Rebounds Amid Rising World Tensions

NEW YORK — The dollar surged Monday despite a cut in the prime rate by major U.S. banks, with analysts attributing the rise to investor concern over events in China.

The dollar surged to close in New York at 1.9620 Deutsche marks, up from 1.9445 DM on Friday, and to 142.825 yen, from 140.500 yen.

Dealers said rising concern about the violence in China has prompted many investors to turn to the dollar as a "safe-haven" currency.

They said the cut in the U.S. prime rate to 11 percent from 11.5 percent — and speculation that the U.S. Federal Reserve Board may soon cut its discount rate — has been temporarily overshadowed by the rising world tensions.

"Whenever there's any kind of unrest anywhere, the tendency seems to be to buy U.S. dollars," said Thomas Palladino, an assistant vice president at the New York office of Amsterdam Rotterdam Bank.

The British pound fell to \$1.5670 from \$1.6045. Dealers said the pound again came under intense selling pressure on Monday, forcing the Bank of England to intervene to support it.

The U.S. unit also closed at

1.7133 Swiss francs, up from 1.6710 francs, and at 6.7395 French francs, up from 6.5985 francs.

Despite the sharp rise, dealers said the dollar's fundamental outlook is negative following the report by the National Association of Purchasing Management on Sunday that said the U.S. economy declined in May for the first time in 33 months and the weaker-than-expected May employment report.

But they said as long as political tensions remain high, the currency will remain firm.

"The situation in China probably put an end to the dollar's slide sooner than it would have stopped on its own," said David Wilson of Citicore Bank in New York.

Dealers said the death of the Iranian leader, Ayatollah Ruhollah Khomeini, and expectations that the Organization of Petroleum Exporting Countries will reach an agreement to limit output and boost prices at their talks in Vienna also contributed to the dollar's rise.

Some U.S. dealers said the dollar will again breach the 2 DM and 144 yen levels this week if the political tensions increase.

But others said that the dollar's near-term direction will also be importantly influenced by data U.S. producer prices scheduled for release on Friday.

Earlier in London, the dollar

## London Dollar Rates

Currency	Mon.	Fri.
Deutsche mark	1.9620	1.9445
Swiss franc	1.7133	1.6710
French franc	6.7395	6.5985
Japanese yen	142.825	140.500

Source: Reuters

PRIME:  
Reduced to 11%

(Continued from first finance page)

inflation, but recent data have indicated that price pressures have been easing.

Relatively high interest rates have helped push up the value of the dollar by making yields on U.S. bonds attractive compared with those of other countries, and the United States has been under pressure by other industrialized countries to lower its interest rates.

Japan and Britain recently increased rates in moves interpreted as defense of their currencies.

Monday's change was the first drop in the prime rate since Feb. 2, 1988. On that day, the prime fell a quarter of a percentage point, to 8.5 percent, but then began a steady climb that ended Monday.

The decline places the prime at the level it reached on Feb. 10 of this year, when it rose to 11 percent from 10.5 percent. Two weeks later, on Feb. 24, it rose another half percentage point to 11.5.

Economists said the Fed has still not overtly signaled any drop in the federal funds rate, the key short-term U.S. dollar rate, but the rate declined to 9 1/2 percent on Monday from 9 3/4 percent early last week.

Although the funds rate has declined only slightly, other money market rates have plummeted. The bellwether 8 1/2 percent 30-year bond yield has dropped from a recent high of 9.11 percent to 8.43 percent on Monday.

(AP, UPI, Reuters, NYT)

## Consumers Confident

The Conference Board's monthly survey of consumer confidence showed that U.S. consumers were generally optimistic about the state of the economy in May, United Press International reported from New York.

The board's consumer confidence index rose to 117.8 in May, compared with 116.6 in the previous month. The indicator is compiled through a survey of more than 5,000 U.S. households conducted for the board by National Family Opinion of Toledo, Ohio.

About 30 percent of the survey respondents said current business conditions were good, compared with slightly less than 20 percent in April. More than a third of the consumers said employment opportunities remained plentiful.

## STOCKS: Prices Drop 22% in Hong Kong Amid Run on Chinese Banks

(Continued from page 1)

percent more withdrawals than normal.

The Hong Kong government injected 194 million Hong Kong dollars (\$24.9 million) into the banking system, signaling an intention to ensure liquidity and protect the local currency against speculation, analysts said.

Meanwhile, analysts and economists familiar with the markets said the colony, which two months ago was a magnet for international stock, property, and commercial investment has suddenly become, if not a pariah, then at least a place to avoid.

"What the market is going through at the moment," said Thomas Waring of the Royal Bank of Canada, "is a total lack of confidence in the future of Hong Kong vis-a-vis China."

Since the middle of this decade, Hong Kong's prosperity has been closely connected to the modernization of China. The territory has promoted itself as China's economic link to the outside world. At the same time, many Hong Kong man-

ufacturers have relocated their labor-intensive operations to Guangdong Province to take advantage of considerably lower wages.

The result has been a 50 percent growth in Hong Kong's re-export trade over the past year, enough to compensate for declining export demand from the West for locally made products.

"China has been paramount to Hong Kong's growth over the last few years," said Paul McKenzie, an analyst at Sun Hong Kai. "Remove that and you get lower growth expectations, and Hong Kong is in trouble."

A survey on the territory's re-export trade, released last November by the Hong Kong Trade Development Council, found that 55 percent of Chinese products re-exported through the territory were made by Hong Kong companies in China. Such goods accounted for 25 percent of Hong Kong's re-export.

The survey also found that Hong Kong investments in assembly or processing activities in Guangdong exceeded \$1.8 billion.

"During the last decade, Hong Kong has clearly benefited from China's Open Door policy," said Anna Lai, who carried out the survey. "It is difficult to believe that the door will close entirely."

If it does, however, Hong Kong could be left without a clear economic role in a region where growth rates are the highest in the world and competition for the foreign investment dollar is becoming increasingly cutthroat.

Over the past decade, Hong Kong has lost a measure of its competitive advantage over Asia's other newly industrializing economies. Wages in Hong Kong are comparable to those in Taiwan and South Korea, and far higher than in Thailand and Malaysia.

Moreover, some of Hong Kong's neighbors have deliberately expanded their manufacturing and industrial sectors while local entrepreneurs have relocated factories to lower-cost sites abroad. A favorite topic of many local economists is the "hollowing out" of Hong Kong's manufacturing base.

"One of the difficulties Hong

Kong faces now is the lack of a comparative advantage over, say, Taiwan and South Korea," said an investment banker with Chase Manhattan Bank. "China has been the major advantage, but if that link no longer exists, what is Hong Kong's future?"

Investors' doubts about Hong Kong's future have thus far been articulated through local equity and capital markets.

Despite Monday's plunge, neither the government nor the stock exchange is expected to interfere with the direction of stock prices, given the criticism directed at Hong Kong when exchange officials closed the market for four days after the October 1987 global stock collapse.

Julian Wood, an analyst in London for Hoare Govett, said the downside potential of this market may exceed that of 1987. He said the battering taken by the real estate sector Monday could indicate a weakness in Hong Kong's property market that did not appear after the 1987 crash.

Monday's  
NASDAQ  
Prices

Prices as of 4 p.m. New York time.  
This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume.  
It is updated twice a year.  
Via The Associated Press

Stock	High	Low	Open	Close
IBM	114 1/4	114	114 1/4	114
Microsoft	114 1/4	114	114 1/4	114
Intel	114 1/4	114	114 1/4	114
Oracle	114 1/4	114	114 1/4	114
Sun	114 1/4	114	114 1/4	114
Unisys	114 1/4	114	114 1/4	114
Compaq	114 1/4	114	114 1/4	114
Hewlett-Packard	114 1/4	114	114 1/4	114
3Com	114 1/4	114	114 1/4	114
Lotus	114 1/4	114	114 1/4	114

Stock	High	Low	Open	Close
Apple	114 1/4	114	114 1/4	114
Amgen	114 1/4	114	114 1/4	114
Boeing	114 1/4	114	114 1/4	114
General Electric	114 1/4	114	114 1/4	114
Johnson & Johnson	114 1/4	114	114 1/4	114
Merck	114 1/4	114	114 1/4	114
Pfizer	114 1/4	114	114 1/4	114
Roche	114 1/4	114	114 1/4	114
Schering-Plough	114 1/4	114	114 1/4	114
Wendel	114 1/4	114	114 1/4	114

Stock	High	Low	Open	Close
Amgen	114 1/4	114	114 1/4	114
Boeing	114 1/4	114	114 1/4	114
General Electric	114 1/4	114	114 1/4	114
Johnson & Johnson	114 1/4	114	114 1/4	114
Merck	114 1/4	114	114 1/4	114
Pfizer	114 1/4	114	114 1/4	114
Roche	114 1/4	114	114 1/4	114
Schering-Plough	114 1/4	114	114 1/4	114
Wendel	114 1/4	114	114 1/4	114
Amgen	114 1/4	114	114 1/4	114

## World Stock Markets

Via Agence France Presse Closing prices in local currencies, June 5

Market	Index	Change
Amsterdam	1,214.15	+12.15
Brussels	1,214.15	+12.15
Frankfurt	1,214.15	+12.15
London	1,214.15	+12.15
Paris	1,214.15	+12.15
Stockholm	1,214.15	+12.15
Switzerland	1,214.15	+12.15
Tokyo	1,214.15	+12.15
Zurich	1,214.15	+12.15



## SPORTS

## Blue Jays Make Up A 10-Run Deficit And Stun Red Sox

The Associated Press

The Blue Jays' rookie Junior Felix hit a two-run home run with one out in the 12th inning Sunday as Toronto rallied from a 10-run deficit for a 13-11 victory over the Red Sox, extending its winning streak in Boston's Fenway Park to 12 games.

Tom Lawless led off the 12th

with a single off Dennis Lamp, the

fifth Boston pitcher. Nelson Lirio sacrificed, and Felix followed with his fourth homer of the season. Felix had three hits and three runs batted in as the Blue Jays swept the three-game series. His was 8-for-16 with 11 RBIs in the series.

BASEBALL ROUNDUP

Angels 5, Royals 1: In Anaheim, California, Bert Blyleven allowed one run in eight-plus innings and Jack Howell hit a two-run homer as California beat Kansas City.

Blyleven was three outs away from his 57th career shutout when Bo Jackson led off the ninth inning with his 13th home run.

Yankees 12, Brewers 9: Deion Sanders and Jesse Barfield homered in a six-run third inning that included four Milwaukee errors, as visiting New York built a 10-run lead and held on.

Barfield also homered in the ninth inning, giving him 10 for the season.

Robin Yount hit a three-run homer to move the Brewers within 10-7 in the sixth. The Yankees made it 11-7 in the eighth on Steve Balboni's sixth homer, but the Brewers came back with two runs in the bottom of the inning.

Mariners 2, Rangers 1: In Seattle, Randy Johnson combined with three relievers on a four-hitter, and Ken Griffey Jr. hit a tie-breaking home run in the seventh inning as Seattle beat Texas.

Athletics 4, Indians 0: Dave Stewart became the American League's first 10-game winner by allowing three hits in seven innings as Oakland beat visiting Cleveland.

Stewart and the Cleveland catcher Andy Allanson exchanged punches after the top of the seventh. Allanson was hit by a Stewart pitch with two outs and a man on second. Both players were ejected.

Cubs 11, Cardinals 3: In St. Louis, Shawn Dunston and Ryan Sandberg each homered twice, and Mitch Webster and Vance Law hit home runs as Chicago beat the Cardinals in a game interrupted by a brief bench-clearing brawl.

Astros 7, Dodgers 6: In Houston, pitcher Mike Scott hit a sacrifice fly in the 13th inning in Houston's defeat of Los Angeles. It was the Astros' 10th straight victory, only hours after they beat the Dodgers in 22 innings.

## Track Federation May Try to Annul 100-Meter Mark

The Associated Press

MONTE CARLO — Lawyers for the world governing body of track and field are investigating whether Ben Johnson's 100-meter world record can be annulled if it is confirmed that he took illegal drugs before his record-setting race in 1987.

Arne Ljungqvist, chairman of the International Amateur Athletic Federation medical committee, said Monday, "We look stupid if we recognize the result" of an athlete if it is proved he was on performance-enhancing drugs when he set the record.

Johnson set the record of 9.83 seconds two years ago at the World Outdoor Track and Field Championships at Rome. His time shaved .10 of a second off the previous mark, held by Calvin Smith of the United States.

Johnson ran 9.78 in the Seoul Olympics last year, but was stripped of his gold medal and his best time when he was disqualified for illegal drug use.

At a Canadian government inquiry investigating the scandal, witnesses have said under oath that Johnson started using drugs long before the World Championships. But because he did not test positive at the meet, the record stands.

Ljungqvist said lawyers were checking IAAF rules to see whether other evidence than a positive urine sample might be used to retract the result.



The Yankees' Ken Phelps, left, was out at second on the force play by Jim Cantner, but his slide prevented a double play by the Brewers.

## 'Obscene' PGA Purses: High and Rising

By Gordon S. White Jr.  
New York Times Service

NEW YORK — Tom Watson, who has won more money playing the PGA Tour than any other golfer, said tournament purses are becoming so big they are "obscene." Tom Kite, who is currently third on the career earnings list behind Watson and Jack Nicklaus, said he is achieving some self-sufficiency for the future and because corporate sponsors and television networks continue to pay for his product.

"We now have approximately \$50 million in purses a year on the PGA Tour and Senior PGA Tour," Kite said. "Yes, I foresee \$100 million a year in purses from the PGA Tour, Senior PGA Tour and the Ben Hogan Tour that starts at a \$3 million total next year."

The Hogan tour is a new circuit for aspiring young players. It will have 30 events, each with a \$100,000 purse.

Just seven years ago, Kite was called on the carpet during the Westchester Classic by the tour players, who wanted a full accounting of money going through the PGA Tour office. Kite was hard-pressed to save his position.

But he came through stronger than ever and from there began to give the players a better idea of what he was trying to do.

He has done well enough so that players like Watson, who often disagrees with the commissioner on policy matters, praise him for the financial achievements.

"Sure, the purses are obscene," Watson said. "The money is obscene, because how do you compare it with what an average worker makes?"

year's 44-tournament schedule. The 1989 tour has total prize money of about \$38 million.

What is the eventual limit? Commissioner Deane Beman is setting no ceiling. This often controversial leader has maintained his position largely because in his 16 years as commissioner he has built a sports business that is achieving some self-sufficiency for the future and because corporate sponsors and television networks continue to pay for his product.

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"Sure, the purses are obscene," Watson said. "The money is obscene, because how do you compare it with what an average worker makes?"

The average worker, let's say, makes \$25,000 a year while a golfer makes \$25,000 finishing 10th in a golf tournament. Our values have departed somewhat.

"But Deane has done an exceptionally good job marketing the PGA Tour," he said. "That's why we're where we are with these purses."

Beman has been hedging his bets by building the marketing and golf course operations of the PGA Tour in order to have a source of income in addition to the money from television and corporate sponsors. Obviously, he thinks television and sponsor money could be limited in the future, particularly if there is a major U.S. business decline.

The PGA Tour's annual financial report projects total revenues of more than \$141 million for 1989. Of that total, \$38 million will come from television; the three major networks plus two cable networks. More than \$45.7 million will come from sponsor share of prize money and two tournaments run by and for the tour: the World Series of Golf and The Players Championship.

About \$12.6 million will come from marketing of PGA Tour products and an additional \$43.5 million from Tournament Players Clubs operations around the country.

There are a dozen Tournament Players Club courses operating in the United States that are owned and managed by the tour or under PGA Tour licensing permits. There are six more in various stages of construction and three projected for Japan.

## SIDELINES

## Orioles Draft Dream Pitcher No. 1

NEW YORK (AP) — Ben McDonald, who went 14-3 for Louisiana State University this year and began the season by pitching 444 consecutive scoreless innings, was chosen by the Baltimore Orioles Monday as the first pick in the amateur baseball draft.

"In college, Ben throws 70 percent fastballs and challenges all of the hitters," LSU coach Skip Bertman said. "When he gets into pro ball, when he can pitch more, use all of his pitches, he'll be even more effective."

McDonald, a 6-foot-7 (2-meter) right-hander, could be with the Orioles by the end of the season. He has struck out 194 in 148½ innings and has a 2.91 earned-run average.

Montreal Expos scouting director Gary Hughes sees McDonald as "the only cinch major leaguer."

## Prost Tops Senna in U.S. Grand Prix

PHOENIX, Arizona (AP) — Alain Prost took advantage of teammate Ayrton Senna's mechanical problems and ran away with the U.S. Grand Prix here Sunday. Prost's 36th career victory moved the Frenchman past Senna into first place in the season points, 29-27. (See Scoreboard)

It was the 34-year-old Prost's first victory of the season and the fourth for his McLaren-Honda team. Senna appeared on his way to his fourth straight victory, but after leading the first 33 laps, the 29-year-old Brazilian slowed with an electrical problem that caused a miss in his Honda engine. Prost slipped past to take the lead on lap 34. Senna finished 15th.

The race was run in temperatures around 100 degrees Fahrenheit (38 centigrade) and with a disappointing crowd estimated at about 20,000.

## Byrum Triumphs in Kemper Open

POTOMAC, Maryland (AP) — Tom Byrum, a young player of fragile confidence but a determined temperament, made the Kemper Open his first PGA Tour victory Sunday, winning by five shots. His final round of 68 was for the most part accomplished early and established a tournament record at 16-under-par 268.

Byrum held a two-stroke lead to begin the day and birdied the fourth, fifth and sixth holes to expand his margin. He suffered only brief threats or moments of nervousness thereafter, including an ill-fated charge by Jim Thorpe, to collect the \$162,000 first prize.

Byrum, a slight 28-year-old from Dallas who has been on the tour for three years, had missed nine cuts and was only 84th on this year's money list.

## For the Record

Chris Evert, who pulled out of the French Open and hinted the might retire, will play at Wimbledon this year, the Women's International Tennis Association said Monday.

Snow and cold forced cancellation Monday of the much-feared 16th stage of the Tour of Italy cycling race. Organizers reported that it was impossible to climb the 7,900-foot-high (2,400-meter) Gavia pass. (AP)

Rich Pittino, the departing coach of the New York Knicks, says he thinks Phil Jackson, an assistant with the Chicago Bulls, would be the best person to succeed him in New York. (NYT)

Dennis Combs of the United States says he will compete in the America's Cup yachting competition in 1992 through a newly formed syndicate, Team Dennis Combs. "We're doing this because the America's Cup is in our blood," he said. Combs' victory last September for the San Diego Yacht Club was overturned by a New York judge. (AP)

The United States Football Association wound up its annual meeting Sunday without acting on a proposed 16-team playoff. It voted to form a committee that would study the postseason bowl structure. (AP)

The United States shocked Peru, 3-0, to win soccer's Mariboro Cup of New York. It was the first time in 56 years that the United States scored three goals against a team from South America. (AP)

Billy Smith, whose goalkeeping helped the New York Islanders to four straight National Hockey League titles, announced Monday that he was retiring as an active player to become the team's goaltending coach. (AP)

## CHESS

By Robert Byrne

THERE is no greater opportunity for the aspiring young grandmaster than to be taken on as second to a principal of world championship caliber, but there is also the hazard of becoming astruck.

It is wonderful to be exposed to the extraordinary range of strategies of a great player and to get a close look at the almost unbelievable effort that he can put into overnight adjustment analysis, especially if he is in desperate straits to pull out a draw or hungry not to let a victory get away. And, in fact, the thoroughness of his tactical analysis in the critical moments of the game, which can be seen in the late-night dissection sessions after the day's play, would come as a revelation.

But to get that close to a great chess mind can also be intimidating. Can you have any confidence the next time you are paired against him in a tournament?

One player who has managed to avoid that psychological trap is the Seattle grandmaster Yasser Seirawan. After completing his stint as second to Viktor Korchnoi of Switzerland for his world title challenge in 1981, Seirawan has continued to slug it out on level terms with his principal year after year. Indeed, in their last encounter, in the eighth round of the Fourth World Cup Tournament, which ended April 20 in Barcelona, it seems very much as though Seirawan was carried to defeat by overconfidence.

The point of the Meran Variation of

the Slav Defense in giving up the pawn stronghold in the black center with 6...d7 Bx4 is to obtain freedom by counterattacking with 7...b5 Bx3 as 9 e4 e5.

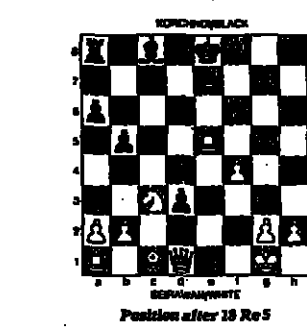
The Reynolds Attack with 10 d5 involves a gambit that cannot be accepted: thus, 10...e7 11 e1 Nc4 12 Bx5 13 f3 Ndx6 14 Bx3 Nxb5 15 O-O Bx7 16 Re1 O-O 17 Re7 Qe7 18 Nd5 Qx6 19 Nf6 Rf6 20 Bf6 Qf6 21 Bb5! is too strong for White.

Black's 11...e7 involves a counter-gambit: thus, 12 e2 Qd7 13 Ne5, but 13...Qe7 14 Nd3 b4 15 Ne2 Qe4 16 O-O Bx7 17 Ng3 Qb7 yields Black an easy game.

However, Seirawan, with supreme overconfidence or overweening optimism, sacrificed a piece with the unheard of 12 e7! Kf7 13 e5.

Besides 14 e7, he threatened 14 e6 Kx6 15 Qb3 to expose the black king in the middle of the board, but Korchnoi stopped both with 13...Qe7. On 14 Ng5 Kx6 15 O-O, it did seem as though Black faced stern difficulties in defending his king and finding a smooth development, but Korchnoi discovered a beautiful solution with 15...Ne5! 16 Re1 h6! 17 f4 (17 Nh3 [17 Nf3 Nf3 18 f5 Bx6] Bb3 18 gh Nf3 wins for Black) h6! 18 Re5, Qe5!, a beautiful queen sacrifice.

The stunning point must have hit Seirawan after 19 f5 Bc1 — on 20 Kf1 (on 20 Kh1? Ng4! White cannot defend against 21...Rh2 mate and save his queen at the same time) Rh2 21 Qd3, Black wins by 21...Rh1 22 Kx2 Bx4 23 Kd2 Rd8. Consequently, Seirawan had to drop a third piece for his queen with 20



Position after 18 Re5

Be3 Be3 21 Kf1, making the rest of the game a long but easy piece of technique for Korchnoi.

After 60...Re1, it would have been only a matter of time before Korchnoi queened his g4 pawn, so Seirawan gave up.

SLAV DEFENSE  
1. e4 d5 2. exd5 Qxd5 3. Nc3 Qe6 4. d4 Qf6 5. Nf3 Qg5 6. Be2 Qh4 7. O-O Qf6 8. Bf1 Qg5 9. Bg2 Qh4 10. d5 Qxd5 11. e6 Qd7 12. e7 Kf7 13. e5 Qe7 14. Nd3 b4 15. Ne2 Qe4 16. O-O Bx7 17. Ng3 Qb7 18. Re5 Qe5 19. f5 Bx6 20. Bf6 Qf6 21. Bb5! 22. Kf1 23. Qd3 24. Rh2 25. Kx2 Bx4 26. Kd2 Rd8 27. Bc1 28. Bx4 29. Kf1 30. Bg2 31. Bf1 32. Bg2 33. Bf1 34. Bg2 35. Bf1 36. Bg2 37. Bf1 38. Bg2 39. Bf1 40. Bg2 41. Bf1 42. Bg2 43. Bf1 44. Bg2 45. Bf1 46. Bg2 47. Bf1 48. Bg2 49. Bf1 50. Bg2 51. Bf1 52. Bg2 53. Bf1 54. Bg2 55. Bf1 56. Bg2 57. Bf1 58. Bg2 59. Bf1 60. Bg2 61. Bf1 62. Bg2 63. Bf1 64. Bg2 65. Bf1 66. Bg2 67. Bf1 68. Bg2 69. Bf1 70. Bg2 71. Bf1 72. Bg2 73. Bf1 74. Bg2 75. Bf1 76. Bg2 77. Bf1 78. Bg2 79. Bf1 80. Bg2 81. Bf1 82. Bg2 83. Bf1 84. Bg2 85. Bf1 86. Bg2 87. Bf1 88. Bg2 89. Bf1 90. Bg2 91. Bf1 92. Bg2 93. Bf1 94. Bg2 95. Bf1 96. Bg2 97. Bf1 98. Bg2 99. Bf1 100. Bg2

## BOOKS

TO REACH ETERNITY:  
The Letters of James Jones

Edited by George Hendrick. Illustrated. 380 pages. \$22.50. Random House, 201 East 50th Street, New York, N. Y. 10022.

Reviewed by Christopher Lehmann-Haupt

IN his graceful foreword to this volume of letters by James Jones, William Styron reminds us of the many things there were to admire about the author — his seriousness about the craft of fiction, his generosity as a friend and, most of all, his deep understanding of war, which was reflected in the best of his books, "From Here to Eternity," "The Pistol," "The Thin Red Line" and "Whistle."

The one thing Styron does not mention, even in passing, is the letters in the volume he is introducing. Whether or not this is inadvertent, it is unfortunately fitting. For the letters individually are not memorable. And while the collection as a whole has been skillfully edited by George Hendrick, a professor of English at the University of Illinois at Urbana-Champaign, it nevertheless leaves one with a feeling of frustrated emptiness.

That there are few eloquent passages in the correspondence should not be surprising. James Jones's virtues as a writer did not lie in his sense of language. As Styron notes of Jones's famous first novel, "From Here to Eternity," "it was quickly apparent that the author was not a stylist, certainly not the stylist of refinement and nuance that we former students of creative writing had been led to emulate." He achieved his best effects through the bluntness of his perceptions and the structure of his plots.

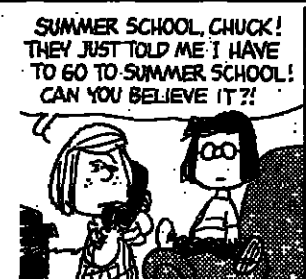
At first, Jones is the clichéd neophyte, swept off his feet by novels of Thomas Wolfe and swooning over his own uniqueness. Then suddenly, after the success of "From Here to Eternity" in 1951, he is the swaggering pro: "You know, old buddy," he writes to Norman Mailer in a 1955 letter professing to be a lot of ego content, "I feel as if I were just beginning to come into the richest and most productive and most mature period of my life. I want to take full advantage of it. I plan to... get a bulk of good work done that will assure me a real place. I've got 11 long novels already planned, and 3 short ones — just to prove I can write one, and I don't know how many stories."

There is one striking passage that conveys his experience as a writer. Speaking of "From Here to Eternity," he writes to a friend: "Had the book not had Warden, and instead contained only Prewitt, it would have been ghastly. And it is through the partially closed door of Warden, sort of, that I'm now squeezing into a big room. Its like going through a tiny hole in the ground into an enormous cave with only a flashlight, and you know how big it is and are scared, but the being scared is half the fun and the real creator of your excitement."

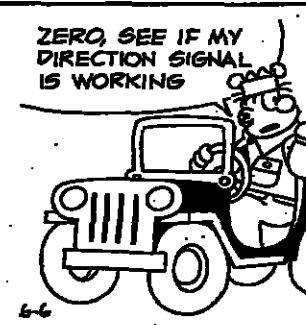
This may have been how it was for James Jones when he was producing his best fiction, but there is little sense of that fun and excitement here.

Christopher Lehmann-Haupt is on the staff of The New York Times.

## PEANUTS



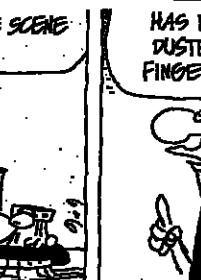
## BEETLE BAILEY



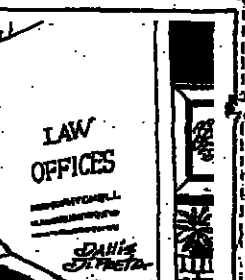
## ANDY CAPP



## WIZARD OF ID



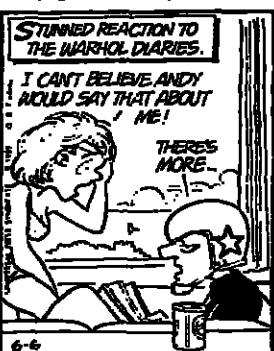
## REX MORGAN



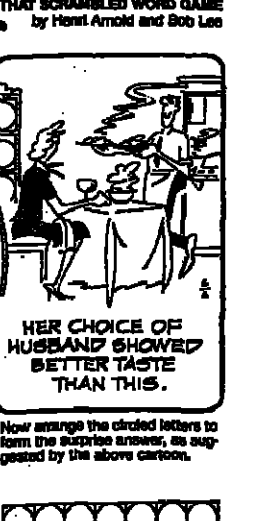
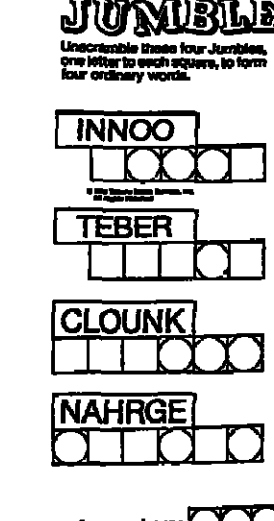
## GARFIELD



## DOONESBURY



## DENNIS THE MENACE



\*SOME OF THESE BEDTIME STORIES ARE SO DUMB THEY PUT ME TO SLEEP.\*

Answer here: (Answers tomorrow) Yesterday's Answers: LADLE PICKY AUSTIN CATTY. Some eating who make their living on water seldom do this—TOUCH IT ON LAND.







## ART BUCHWALD

## Bambi the Terrorist

WASHINGTON — Every so often the question arises — why do Americans need semiautomatic weapons to kill deer? Even the president is concerned that if he bans domestic assault weapons he would be hurting the rights of sportsmen.

In order to understand why you need a semiautomatic for sport, you have to go back in history before there were guns played such an important role in slapping animals.

Once upon a time there lived a very ferocious deer named Bambi (also known as Bambi the Bully), who roamed hither and yon with a gang of terrifying animals, including squirrels, rabbits and chipmunks. They preyed on innocent hunters and sportsmen who just wanted to enjoy the outdoors with their dogs. Bambi had hoofs that could trample a mushroom to death. He also had sharp teeth that could scare a butterfly out of a duck blind. He was truly the most dangerous animal in the forest.

Such was the power of Bambi and his henchman, Thumper, a killer rabbit, that it didn't take long before many hunters were afraid to go into the woods.

One day Bambi was out looking for food with his mother when he

heard shots. He became furious and turned to face the men who had fired them. As soon as they saw the look of mischief hatred in Bambi's eyes, the hunters fell to their knees, and one of them cried, "Don't hurt us. The Constitution says we have a right to rat-a-tat."

"Guns don't kill deer," the other hunter yelled, "deer kill people."

At this point, Bambi stuck his antlers into the hunters' backsides and they ran away. The owl roared, the frogs croaked, and the foxes ran in circles.

The screaming hunters made straight for the headquarters of the National Gun Lovers Society where they tirelessly told their story to Charlton Heston. Gun lovers at the target range heard the tale and decided to hang Bambi in effigy — and boycott his movies.

A man shouted to the armed multitude, "The reason we can't go into the forest is because we don't have enough firepower to protect ourselves."

Someone in the crowd yelled back, "Give us the guns so that we can do the job."

Another person said, "Unless we have heavier magazines, we'll never thin out the herds."

The rally went on all afternoon. Finally, because the gun lovers had done so much to get the president elected, they went to see him to make their pitch.

They related the story of Bambi and how he was destroying the pleasures of deer shooting. To emphasize their point, the two hunters took down their pants and showed the president what Bambi had done.

The president, who had seen a lot of terrible sights during World War II, was never more horrified. He decided that the only way to protect deer hunters was to allow them to purchase the assault weapon of their choice, without any questions. Once permission was granted, thousands of gun lovers traded in their rifles for semiautomatics. Now the battle between deer and the American sportsman is even.

People who have seen Bambi in the woods say that he is no longer the cocky, vicious stag he used to be. He has been hiding in the thickets, as has Thumper the rabbit. Thanks to semiautomatic weapons, the Bambi of this world will never frighten a hunter again.

## Robin Morton, Pushing A Team of 14 Bicyclists

By Samuel Abt

NOTHING was going right for the European professional bicycle riders in the Tour de France and the team's manager had finally had enough.

After four of Eurocar's six riders finished far behind on the stage from Gettysburg, Pennsylvania, to Winchester, Virginia, a team meeting was called. "We definitely had a big loss of discipline," the manager said. "I just said I thought they could be riding a lot better. I told them they had to muster their forces and get their morale back together and try to salvage something, just get themselves back together."

Had the riders been told this in a loud way?

"Most of the time I am pretty low key," the manager said, "but because I have sort of a high-pitched voice and I'm kind of diminutive — I'm not a big person — I end up in a lot of these meetings speaking in a raised voice. Not screaming but being pretty vocal and vehement. Sometimes I get really angry."

Did it work?

"Yeah," said Robin Morton, the Eurocar manager and the only woman leading a professional bicycle team. "Yeah," she repeated with a broad smile, "it worked."

The next day, on the stage from Front Royal, Virginia, to Charlottesville, Eurocar riders finished as high as 16th and 20th in the 99-mile ride. The day after that, at the end of a road race from Charlottesville to Richmond, the team had a rider place ninth and two others place 15th and 20th.

"They listen, they definitely listen," Morton said. But attentiveness is no substitute for talent and Eurocar resumed its downward slide as the Tour de France made its way to the finish line in Atlanta City, New Jersey. In the final standings, it ranked last among the five professional teams and 17th among the total of 19 teams, professionals and amateurs.

"This race has been terrible for us," Morton admitted. Before the start in Albany, New York, burglars broke into the team's van and stole three bicycles and 10

sets of wheels. Once the race was under way, the team was plagued by tire blowouts. Then its best rider, Roberto Gaggioli, fell far behind.

Morton is not one to make excuses, especially for a low-budget team with no stars. "This is a really little team — 14 riders but soon we'll have 15 because a Dutch rider will turn pro and join us. But we're little budgetwise — about half a million dollars a year for everything, including salaries,

and of that \$100,000 to race in the United States." Major European professional teams have budgets that begin at about \$3 million a year.

Although she spent the race as managers do, driving the support car that stays near the riders, Morton noted that her job is usually not what Europeans call a director's sport.

"I'm more the business manager of the team," she said. "My job is mainly to be a liaison with the sponsor, to organize the program for the team in America and to take care of the organizational part of running the riders." The only other woman in professional bicycling with a similar job is Agnès Pierret, the manager of the Helvetia-La Suisse team in Switzerland.

Eurocar, based in Switzerland, divides its time between the United States and Europe, where this year it will race a heavily Italian schedule plus the Tour de Suisse. Morton sometimes helps the team's director sportif, Domenico Cavallo, in European races but is on her own in the United States. She defines her role as limited. "I don't tell them what to do tactically in a race," she said. "Maybe sometimes, but what I mostly do is tell them what is

going on in the race on a given day. None of the riders are neophytes, all of them know how to ride a race and if they don't know what to do, we're in trouble. They basically decide their own tactics. So we don't have as many strategy sessions as sort of pep talks.

"I don't presume to tell them how to ride the race. I was never a racer but I've been around it now for eight years. So, up to a point, I can tell them what I think needs to be done. They would not take it too kindly, I'm sure, if I said 'You have to do this, you have to do this, you have to do that.'"

That, she insisted, is not because she is a woman. "No," she said firmly. "It's just because I'm not a racer. I've never raced."

Her sex, she continued, is rarely an issue. "There's no objection, none at all, to me in America. The sport is pretty open here, with women riders, women organizers, women in the bicycling federation, women massagers with all the big American teams."

"In Europe I really haven't encountered problems with the riders on my teams in any way at all."

Nor with their wives, Morton added. "No problem at all, to my knowledge. I mean nobody has ever said anything to me — I don't think there's a problem."

With another laugh, she added, "I don't know if I've been fortunate or I'm just not cognizant of what's going on."

Morton entered the racing world through her husband, Glenn, the manager of the computer department for the Federal Reserve Bank in Philadelphia. He raced on the East Coast for the Philadelphia Bicycle Club and she began helping to find sponsors. At that period she had studied art and art history at a community college in Pennsylvania, at the Tyler School of Art at Temple University and at the Barnes Foundation, the private treasure house of art on the Main Line. (Her favorite painters are the Flemish masters and, Morton said, she looks forward to races in Belgium so she can visit museums "when I have time except that I



Robin Morton with John Eastice, a leader of her team.

don't have a lot of it when I'm with the team." She was pointing too but helped pay the bills by working as a graphic artist for an architect.

Then John Eastice, an American who had been riding in Europe, returned home in 1982 and began riding with Morton's husband. "I met John and he told me he was interested in putting an American team together," Morton said. "So we did."

John Eastice, who rides for Eurocar, and Morton also have a bicycle-importing company, Velo Marketing, in Philadelphia, which keeps them busy during the winter.

"When I first started working with John and the team, back in 1983, I was holding down my job with the architect," Morton remembered. "But so much of my time started being taken up, that he said, 'You have to make a decision.'"

"Luckily my husband has been really supportive and he said, 'Well, go for it, let's see what happens.'"

With that, Morton had to leave. Their bikes had to be looked after, rooms to be sorted out, riders to be encouraged and the map of the next stage to be studied. A manager's work is never done.

## PEOPLE

## Jerome Robbins Show Wins 6 Tony Awards

"Jerome Robbins' Broadway" won the Tony Award for best musical and Wendy Wasserstein's "Hedda Gabler" won best play. The compilation of numbers from years of Broadway musicals staged or choreographed by Jerome Robbins won the most Tonys, six, including ones for Jason Alexander as best actor and for Robbins as best director of a musical. The Robbins show was not eligible for the choreography or design prizes because those elements were considered reproductions of previous work. "Black and Blue," a jazz blues and tap-dancing revue, won three. "Hedda," the Pulitzer Prize-winning serio-comic saga of 25 years in the life of a modern woman, won two, as did "Lead Me a Tender," Ron Leifer's farce about an opera singer in 1930s Cleveland. The 43rd annual awards, by the American Theater Wing and the League of American Theaters and Producers, were presented Sunday night, with Angela Lansbury, a four-time winner, as the host.

Lee Iacocca, head of the Chrysler Corporation, was among 25 persons to be decorated by President Francesco Cossiga of Italy as a knight of the Order of Labor. Iacocca, the only non-Italian national among the recipients, was cited for setting up joint ventures between Italian and American automobile companies. Chrysler controls the Italian sports car maker Lamborghini, and has a joint venture with Maserati, another sports car manufacturer.

The Rolling Stones' bass guitarist, Bill Wyman, 52, has quietly married Mandy Smith, a 19-year-old model, in a 15-minute ceremony in a registrar's office in Bury St. Edmunds, England.

The two youngest competitors prevailed in the grueling, month-long Queen Elizabeth International Volvo Competition in Brussels, which ended early Sunday. Vangelis, 17, of the Soviet Union, finished ahead of Japan's Akiko Suwanai, also 17. A second Soviet competitor, Yevgeny Budakov, took third, ahead of Erez Ofer of Israel. A West German, Ulrike-Audma Mathe, was fifth and Catherine Cho of Ann Arbor, Michigan, sixth. Requin won 300,000 Belgian francs and a concert contract.

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